NOT FOR DISTRIBUTION IN THE UNITED STATES

Intercos S.p.A.

(incorporated as a società per azioni under the laws of the Republic of Italy)

€120,000,000 3.875 per cent. Senior Secured Notes due March 28, 2022

Guaranteed on a senior basis by Intercos Europe S.p.A. and CRB S.A.

The issue price of the €120,000,000 3.875 per cent. Senior Secured Notes due March 28, 2022 (the "**Notes**") of Intercos S.p.A. ("**Intercos**" or the "**Issuer**") is 100 per cent. of their principal amount. The Notes constitute *obbligazioni* pursuant to Articles 2410 et seq. of the Italian Civil Code. The Notes will bear interest from and including the Issue Date (as defined below) at the rate of 3.875 per cent. per annum, payable in arrear on March 28 in each year, commencing on March 28, 2016, all as more fully described in "*Terms and Conditions of the Notes-Interest*". Interest payments to certain Noteholders may be subject to Italian substitute tax (*imposta sostitutiva*) as more fully described in "*Terms and Conditions of the Notes – Taxation" and "Taxation – Taxation in Italy*".

Unless previously redeemed, repurchased or cancelled, the Notes will be redeemed at 100 per cent. of their principal amount on March 28, 2022. The Notes may be redeemed, in whole but not in part, at 100 per cent. of their principal amount plus interest, if any, to the date fixed for redemption at the option of the Issuer in the event of certain changes affecting taxation in the Republic of Italy. See Condition 8 (*Redemption and Purchase*). Prior to March 28, 2018, the Issuer may redeem all or some only of the Notes at the Make Whole Amount (as defined in the Terms and Conditions of the Notes (the "**Conditions**")). At any time on or after March 28, 2018, the Issuer may redeem all or some only of the Notes at the redemption prices specified herein. In addition, on or before March 28, 2017, the Issuer may also redeem up to 35 per cent. of the Notes with the net proceeds from one or more equity offerings. Noteholders will be entitled, following the occurrence of a Change of Control (as defined in the Conditions) to request the Issuer to redeem such Notes at 101 per cent. of their principal amount together with any accrued and unpaid interest (if any), all as more fully described in "*Terms and Conditions of the Notes – Redemption and Purchase - Redemption at the Option of the Holders upon a Change of Control*".

Upon issue, the Notes will be guaranteed (the "**Original Guarantees**" and each, an "**Original Guarantee**") on a senior basis by Intercos Europe S.p.A. ("**Intercos Europe**") and CRB S.A. ("**CRB**" and, together with Intercos Europe, the "**Original Guarantors**" and each, an "**Original Guarantee**"). Under certain circumstances, additional subsidiaries of the Issuer may accede as guarantors (together with the Original Guarantors, the "**Guarantors**"). The Original Guarantees and any guarantees subsequently provided (together the "**Guarantees**") will rank equal in right of payment with all of each Guarantor's existing and future senior indebtedness and will rank senior to each Guarantor's future indebtedness that is subordinated in right of payment to the Notes in accordance with the provisions of the Intercreditor Agreement (as defined herein). See "*Terms and Conditions of the Notes – Guarantees and Status*" and "*Description of the Intercreditor Agreement*".

Upon issue, the Notes will be secured on a senior secured basis by security interests granted over: (i) 99.61% of the shares of the Issuer and (ii) all shares of the capital stock of Intercos Europe, all as more fully described in "*Terms and Conditions of the Notes – Transaction Security and Negative Pledge*".

This prospectus (the "**Prospectus**") has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under Directive 2003/71/EC, as amended (including by Directive 2010/73/EU, to the extent that such amendments have been implemented in a relevant member state of the European Economic Area) (the "**Prospectus Directive**"). The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 2004/39/EC or which are to be offered to the public in any member state of the European Economic Area. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market. This Prospectus (together with the documents incorporated by reference herein) is available for viewing on the website of the Irish Stock Exchange.

Investing in the Notes involves risks. For a discussion of these risks, see "Risk Factors" beginning on page 8.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or any state securities laws and are subject to United States tax law requirements. The Notes are being offered only outside the United States by the Placement Agent (as defined herein) in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, "U.S. persons", except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a description of further restrictions on offers and sales of the Securities, see "Subscription and Sale".

The Notes will be in bearer form and in denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000 and will initially be in the form of a temporary global note (the "**Temporary Global Note**"), without interest coupons, which will be deposited on or around March 27, 2015 (the "**Issue Date**") with a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg" and, together with Euroclear, the "**Clearing Systems**"). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global note (the "**Permanent Global Note**"), without interest coupons, not earlier than 40 days after the Issue Date upon certification as to non U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification. The Temporary Global Note and the Permanent Global Note (each a "**Global Note**") will be issued in new global note ("**NGN**") form. Ownership of the beneficial interests in the Notes will be shown on, and transfers thereof will be effected through, records maintained in book entry form by the Clearing Systems and their respective participants. The Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form in the denomination of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000 with interest coupons attached. See "*Summary of Provisions Relating to the Notes in Global Form*". Subject to the provisions contained in this Prospectus, the Notes are freely transferable.

Placement Agent

UBS Investment Bank

The date of this Prospectus is March 24, 2015

NOTICE TO INVESTORS

This document comprises a prospectus for the purposes of Article 5.3 of the Prospectus Directive.

The Issuer and each Original Guarantor has confirmed that this Prospectus contains all information regarding the Issuer and its subsidiaries (together with the Issuer, the "**Group**"), the Notes and the Original Guarantees which is (in the context of the issue of the Notes) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Prospectus on the part of the Issuer are honestly held or made and are not misleading in any material respect; this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect. The Issuer and each Original Guarantor accepts responsibility for the information contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus to the best of its knowledge is in accordance with the facts and contains no omission likely to affect its import.

Neither the Issuer nor the Original Guarantors have authorized the making or provision of any representation or information regarding the Issuer, the Guarantors or the Notes other than as contained in this Prospectus or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorized by the Issuer, the Original Guarantors, the Trustee (as defined herein) or UBS Limited (the "**Placement Agent**").

None of the Issuer, the Original Guarantors or the Placement Agent have authorized, nor do they authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Placement Agent which constitute the final placement of the Notes contemplated in this Prospectus.

This Prospectus has not been submitted to the clearance procedure of CONSOB and may not be used in connection with the offering of the Notes in the Republic of Italy, its territories and possessions and any areas subject to its jurisdictions other than in accordance with applicable Italian securities laws and regulations, as more fully set out under "*Subscription and Sale*".

The distribution of this Prospectus and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Original Guarantors and the Placement Agent to inform themselves about and to observe any such restrictions. This Prospectus may only be used for the purposes for which it has been published. For a description of certain restrictions on offers, sales and deliveries of the Notes and on distribution of this Prospectus and other offering material relating to the Notes, in particular for the United States of America, the Republic of Italy, the United Kingdom and Switzerland (see "*Subscription and Sale*").

In particular, the Notes have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered in the United States or to U.S. persons. The Notes are subject to restrictions on transferability and resale and may not be transferred or resold in the United States or to U.S. persons except as permitted under applicable U.S. federal and state securities laws pursuant to a registration statement or an exemption from registration.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer, the Original Guarantors or the Group since the date of this Prospectus.

This Prospectus is to be read and construed in conjunction with all documents which are deemed to be incorporated herein by reference. This Prospectus shall, save as specified herein, be read and construed on the basis that such documents are so incorporated and form part of this Prospectus. See "*Documents Incorporated by Reference*" below.

Neither the Placement Agent nor the Trustee makes any representation or warranty, expressed or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus. This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Original Guarantors or the Placement Agent or the Trustee that any recipient of this Prospectus should purchase the Notes. In making an investment decision, prospective investors must rely on their own examination of the Issuer's business and the terms of the offering. Prospective investors should not consider any information contained in this Prospectus to be investment, legal, business or tax advice. Each prospective investor should consult its own counsel, business advisor, accountant, tax advisor and other advisors for legal, financial, business, tax and related advice regarding an investment in the Notes.

Prospective investors should understand that they may have to bear the financial risks of their investment for an indefinite period of time.

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

PRESENTATION OF FINANCIAL INFORMATION

Financial Statements of the Group

The financial information of the Group included or incorporated by reference in this Prospectus (collectively, the "**Consolidated Financial Statements**") comprises:

1. Audited interim consolidated financial statements of the Group as of and for the six months ended June 30, 2014 (the "**Interim Consolidated Financial Statements**"), incorporated by reference in this Prospectus, which include the unaudited figures for the six months ended June 30, 2013 presented therein for comparative purposes. The Interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**") and have been audited by Reconta Ernst & Young S.p.A. ("**EY**") on August 7, 2014 in relation to another transaction and for the purposes of being incorporated into a prospectus (in the Italian language) approved by CONSOB and translated into English for the purposes of a connected offering memorandum. As a consequence the audit opinion includes a paragraph stating that: "These consolidated financial statements have been prepared for the purposes of their inclusion in this Offering Memorandum and in the Italian Listing Prospectus prepared for the admission of the ordinary shares of Intercos S.p.A. to the Italian stock exchange";

2. Audited consolidated annual financial statements of the Group as of and for the years ended December 31, 2013, 2012 and 2011 (the "**Annual Consolidated Financial Statements**"), presented in the F-pages included in this Prospectus (see: "*Audited Consolidated Annual Financial Statements of the Group as at and for the years ended December 31, 2013, 2012 and 2011*"). The Annual Consolidated Financial

Statements have been prepared in accordance with IFRS and present consistently the three years ended December 31, 2013, 2012 and 2011. The consolidated financial statements of the Group for the year ended December 31, 2013 included in the Annual Consolidated Financial Statements have been audited by EY, whose report thereon is included in the F-pages included in this Prospectus;

3. Audited historical consolidated financial statements of the Group, prepared for official and statutory purposes in Italy, as of and for the year ended December 31, 2013, audited by EY, incorporated by reference in this Prospectus with restated comparative figures for the year ended December 31, 2012 for a consistent presentation and correction of an error; and

4. Audited historical consolidated financial statements of the Group prepared for official and statutory purposes in Italy as of and for the years ended December 31, 2012, audited by PricewaterhouseCoopers S.p.A., incorporated by reference in this Prospectus.

The adjustments made to the audited historical consolidated financial statements of the Group for the year ended December 31, 2012 prepared for official and statutory purposes in Italy for the purposes of the restatements are described below under "*Restatements and Changes in Presentation of Financial Information*" and have been audited by EY, whose conclusions are stated in their audit report with respect to the year ended December 31, 2013 included elsewhere in this Prospectus.

Prospective investors are advised to consult their professional advisors for an understanding of: (i) the differences between IFRS and other systems of generally accepted accounting principles and how those differences might affect the financial information included in this Prospectus and (ii) the impact that future additions to, or amendments of, IFRS principles may have on our results of operations and/or financial condition, as well as on the comparability of the prior years.

For a full list of the documents incorporated by reference in this Prospectus, see "*Documents Incorporated by Reference*".

Restatements and Changes in Presentation of Financial Information

The audited historical consolidated financial statements of the Group as of and for the year ended December 31, 2012 have been restated in order to provide a presentation that is consistent with that used in the financial statements as of and for the year ended December 31, 2013.

The restated consolidated financial statements of the Group for the year ended December 31, 2012 presented for comparative purposes in the audited historical consolidated financial statements of the Group for the year ended December 31, 2013, that are incorporated by reference in this Prospectus, reflect the effects deriving from (i) the correction of the error in the early application of IAS 19 revised (Employee Benefits), which was not applied to CRB in 2012, and (ii) the application of IFRS 5 (Non-Current Assets Held for Sale and Discontinued Operations) following the sale in 2013 of the assets and liabilities held in the subsidiary of the Issuer, Intercos Asia Pacific Sdn. Bhd. The consolidated financial statements of the Group for the year ended December 31, 2012 were further restated for the purposes of the Annual Consolidated Financial Statements included in the F-pages included in this Prospectus to include (i) the allocation to the previous year statement of income the effect of the restatement of IAS 19 revised and (ii) reclassifications of certain financial statement items in order to enable consistent and comparable presentation of all of the financial information included in the Annual Consolidated Financial Statements (see: "*Audited Consolidated Annual Financial Statements of the Group as at and for the years ended December 31, 2013, 2012 and 2011*").

The restated consolidated financial statements of the Group as of and for the year ended December 31, 2012 included in the Annual Consolidated Financial Statements reflect the effects deriving from (i) the application

of IFRS 5 following our sale in 2012 of the assets and liabilities held in the retail sales business segment managed by our subsidiary Marketing Projects S.r.l., (ii) the application of IFRS 5 following our sale in 2013 of the assets and liabilities held in Intercos Asia Pacific, (iii) the application of IAS 19 revised and (iv) the correction of the error in the application of IAS 19 revised. These financial statements were further restated to include reclassifications of certain financial statement items in order to enable consistent and comparable presentation of the Annual Consolidated Financial Statements included in the F-pages included in this Prospectus.

For further information regarding the restatement of the consolidated financial statements of the Group reference should be made to Note 3 Restatement of the consolidated financial statements of the Group for the year ended on December 31, 2012 of the Annual Consolidated Financial Statements, included in the F-pages included in this Prospectus (see: "*Audited Consolidated Annual Financial Statements of the Group as at and for the years ended December 31, 2013, 2012 and 2011*").

Non-IFRS Measures

The Issuer has included certain financial measures in this Prospectus that are not measures defined by IFRS. These measures include EBITDA and Adjusted EBITDA.

The Issuer defines (i) EBITDA as operating income before depreciation and amortization and (ii) Adjusted EBITDA as EBITDA before non-recurring operating income and expenses. The Issuer believes that the presentation of EBITDA and Adjusted EBITDA enhance an investor's understanding of its financial performance. The management of the Issuer intends to use EBITDA and Adjusted EBITDA to assess operating performance because it believes EBITDA and Adjusted EBITDA are important supplemental measures of the Issuer's operating performance and because EBITDA and Adjusted EBITDA are measures incorporated into certain of its financial ratios within loan instruments. In addition, the Issuer believes EBITDA and Adjusted EBITDA are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the industry in which it operates. EBITDA and Adjusted EBITDA are not measures calculated in accordance with IFRS and its use of the term EBITDA and Adjusted EBITDA may vary from others in the Issuer's industry. EBITDA and Adjusted EBITDA have limitations as an analytical tool, and should not be considered in isolation, or as a substitute for financial information as reported under IFRS. EBITDA and Adjusted EBITDA should not be considered as an alternative to net profit or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities or as a measure of the Issuer's liquidity. In particular, EBITDA and Adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of the Issuer's business.

FORWARD LOOKING STATEMENTS

This Prospectus contains certain statements that are, or may be deemed to be, forward-looking, including statements with respect to the Issuer's and the Group's business strategies, expansion of operations, trends in their business and their competitive advantage, information on technological and regulatory changes and information on exchange rate risk and generally includes all statements preceded by, followed by or that include the words "believe", "expect", "project", "anticipate", "seek", "estimate", "aim", "intend", "plan", "continue" or similar expressions. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statements as a result of various factors. Potential investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof.

Any forward-looking statements are only made as of the date of this Prospectus, and the Issuer does not intend, and does not assume any obligation, to update forward-looking statements set forth in this Prospectus. Many factors may cause the Issuer's or the Group's results of operations, financial condition, liquidity and the development of the industries in which they compete to differ materially from those expressed or implied by the forward-looking statements contained in this Prospectus.

The risks described under "*Risk Factors*" in this Prospectus are not exhaustive. Other sections of this Prospectus describe additional factors that could adversely affect the Issuer's and the Group's results of operations, financial condition, liquidity and the development of the industries in which they operate. New risks can emerge from time to time, and it is not possible for the Issuer to predict all such risks, nor can the Issuer assess the impact of all such risks on its business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not rely on forward-looking statements as a prediction of actual results.

CERTAIN DEFINED TERMS

References to the "**Issuer**" are to Intercos S.p.A.; references to the "**Group**" are to the Issuer and its Subsidiaries taken as a whole; references to "**we**", "**us**", "**our**" or "**our Group**" are to the Issuer and some or all of its Subsidiaries, taken as a whole (as the context requires); and "**Subsidiaries**" has the meaning given to it in "*Terms and Conditions of the Notes*".

References to the "**Placement Agent**" are to UBS Limited.

References to the "**Trust Deed**" are to the trust deed constituting the Notes dated on or about the Issue Date (as defined herein) between the Issuer, the Original Guarantors and The Law Debenture Trust Corporation p.l.c. in its capacity as trustee, and references to the "**Trustee**" are to The Law Debenture Trust Corporation p.l.c.

References to the "**Security Agent**" are to Banca IMI S.p.A.

References to the "**Bank Facilities Agreement**" are to the euro 80 million facilities agreement (the "**Facilities**") entered into by the Issuer, the Original Guarantors, Banca IMI S.p.A. and Unicredit S.p.A. on March 24, 2015.

References to "**€**" or "**Euro**" are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty on the functioning of the European Union, as amended, references to "**$**" and "**U.S. dollars**" are to the lawful currency of the United States, references to "**Sterling**" and "**£**" refer to pounds sterling, and references to "**Renminbi**" are to the lawful currency of the People's Republic of China (excluding the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan).

Except where indicated, references to IFRS in this Prospectus are to International Financial Reporting Standards as adopted by the European Commission, which are those required to be used by companies listed on markets in the European Union.

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RISK FACTORS

The Issuer and each Original Guarantor believes that the following factors may affect its ability to fulfil its obligations under the Notes. Most of these factors are contingencies that may or may not occur, and the Issuer and the Original Guarantors are not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors that are material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer and each Original Guarantor believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes, or of the Original Guarantors to make payments under the Original Guarantees, may occur for other reasons which may not be considered significant risks by the Issuer or the Original Guarantors based on information currently available to them, or which it may not currently be able to anticipate.

In addition, the sequence in which the risk factors are presented below is not indicative of their likelihood of occurrence or the scope of the potential consequences on the business, financial condition or results of operations of the Issuer and the Original Guarantors.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and carefully assess whether an investment in the Notes is suitable for them in light of the information in this Prospectus and their personal circumstances, based upon their own judgment and upon advice from such financial, legal and tax advisors as they consider necessary.

Words and expressions defined in "Terms and Conditions of the Notes" or elsewhere in this Prospectus have the same meaning when used in this section. References to a "Condition" are to such numbered condition in the Terms and Conditions of the Notes. Prospective investors should read this Prospectus in its entirety.

Risks Relating to our Business

We do not have long-term contractual relationships with our clients.

We do not enter into long-term contracts with our clients. We operate our business on the basis of purchase orders that are usually executed on an annual basis.

With reference to some clients, we enter into "innovation agreements" covering the presentation by us, on a preview basis, of new formulas, products and packaging proposals and ideas to a particular client. Under such innovation agreements, we may grant exclusivity or priority rights to the client in respect of such proposals and ideas in exchange for the client's commitment to purchase agreed quantities of products from us. However, these innovation agreements do not guarantee us pre-determined production or sales levels.

Therefore, should one or more of our clients decide to reduce the volume of products ordered from us, or to terminate its relationship with us, our business, financial condition and results of operations could be negatively impacted.

We face risks associated with rapid industry innovation, consumer preferences and frequent new product launches.

Our industry is characterized by rapid evolution, particularly in the color cosmetics and skincare sectors. We believe that our ability to innovate, both in terms of production processes and product offerings constitutes one of our principal competitive advantages, because it helps us adapt to the ever-changing needs of consumers and to position ourselves as an outsourcer able to provide innovative product solutions across the entire value chain.

However, should market conditions or other industry factors change in ways that we do not anticipate, we may not be able to design and implement on a timely basis cosmetics and skincare products having aesthetic and technical features that are deemed to be sufficiently innovative by the market. Were this to occur, our revenues may decline and our R&D costs may be higher than expected, leading to negative effects on our profitability and financial position. In addition, our reputation as an innovative and trend-setting manufacturer could be damaged, which in turn could harm our competitive positioning and market share in the color cosmetics and skincare industry.

We face supply chain risks.

Timeliness in analyzing market trends, designing and presenting innovative products and, subsequently, producing and distributing such products represents a critical success factor in our business. The color cosmetics and skincare industry is characterized by rapid product evolution and short duration of fashion trends. Accordingly, we must process client orders and meet client needs quickly to be successful. In such an environment, we must establish strong relationships with suppliers who can ensure the quality, as well as the timely and reliable delivery, of high-quality raw materials and other inputs to our production process.

Although we seek to actively manage the risks associated with our supply chain, we cannot assure you that delays in delivery to us of raw materials and production inputs by our suppliers will not impact our own production process, causing us to fail to meet agreed delivery deadlines and in turn causing delays in product placement on the market by our clients. Such delays could cause us to lose sales while also exposing us to the risk of contractual penalties and damage to our reputation with clients. Should we need to find new suppliers, this could increase our production costs, making us less competitive.

A meaningful percentage of our revenues is concentrated among a small number of customers.

The color cosmetics and skincare industries are characterized by a limited number of global players who account for a significant percentage of overall market shares. Accordingly, the loss of one or more of our existing clients could lead to a significant decline in our revenues which, in turn, could have a negative impact on our business, financial condition and results of operations.

This concentration of revenues among a small number of clients may also imply a concentration of credit risk on a limited number of clients. Thus, any breach by one or more of our existing clients of their payment obligations to us could likewise have a negative impact on our business, financial condition and results of operations.

We try to mitigate these risks by seeking to expand and diversify our client base both in terms of geographic coverage and type of client. For example, we have commercial relations with clients ranging from large multinational cosmetics companies to players with a strong presence in particular national or local markets to retailers. However, we expect that a limited number of clients will continue to account for a meaningful portion of our consolidated revenues for the foreseeable future.

We face risks related to our manufacturing facilities.

We have production and distribution facilities located in diverse geographic areas, which requires us to manage a complex global production and distribution network.

Although most of our production facilities have been designed to carry out all phases of our required production processes, our Agrate Brianza (Italy), Shanghai (China) and Puidoux (Switzerland) facilities are not interchangeable with our other facilities with regard to the production of Prisma Shine, wooden pencils and skincare products, respectively. As a result, any interruption, slowdown or malfunction affecting these facilities would negatively impact our production of these items and, in turn, our revenues.

Our manufacturing activities may be interrupted or negatively impacted by industrial accidents, equipment failures or catastrophic events. Such events, if they were to occur, could also expose us to third-party and environmental liabilities due to the use of environmentally hazardous materials such as colorants, glues, flammable materials and other chemicals in our production process.

Although we believe that our facilities and equipment are compliant with applicable health, safety and environmental regulations, should we experience an industrial accident or be found to have exceeded emissions limits or otherwise to have engaged in unlawful conduct, we and our managers could face significant fines from governmental authorities, damage claims from affected parties, the suspension or revocation of our permits and authorizations as well as potential criminal penalties. Such events, if they were to occur, could expose us to temporary closure measures preventing us from conducting our business as well the possible appointment by judicial authorities of third parties to manage our affairs.

We maintain insurance policies to cover potential damages and penalties relating to health, safety and environmental matters at levels that we believe to be appropriate. However, we cannot assure you that such policies will be sufficient to cover in full or in part the amount of any damages or liabilities that may actually arise in the future.

Furthermore, we cannot assure you that we will not be required to incur extraordinary costs relating to health, safety and environmental matters in the future in the event of changes to applicable regulations or in the case of unforeseen or exceptional circumstances.

Finally, various companies in our Group are party to job-supplying agreements and outsourcing agreements that we believe are in compliance with applicable labor laws. However, in the event of future changes or adverse interpretations of such laws, we could be exposed to challenges and claims for compensation under such agreements.

If any of the risks mentioned above should materialize, our business, financial condition and results of operations could be negatively impacted.

Our relationship with certain clients may deteriorate if we experience a change of control.

We are a party to cooperation and R&D agreements with some of the leading players in our industry. Certain of these agreements give our counterparties a termination right in the event that Intercos should experience a change of control (including through a divestment by our ultimate controlling shareholder, Mr. Dario Gianandrea Ferrari (our "**Controlling Shareholder**"), in whole or material part, of its interest in our share capital). Such an event, if it occurs, could negatively impact our business, financial condition and results of operations.

We may be subject to claims in relation to product liability and product quality.

The success of our business is directly related to our ability to ensure the quality and safety of our products. Although we believe that, through our Corporate Quality Management System, we are able ensure that our products meet or exceed all applicable quality and safety standards, should we be unable to do so, in whole or in part, in the future we would be exposed to variety of risks. For example, we could be obligated to reimburse or pay penalties to clients for products that fail to meet required quality standards, as well as pay for any damages sustained, or be required to find alternative suppliers of raw materials and other production inputs, which could increase our costs, compress our profit margins and damage our reputation in the industry. Repeated or serious failures to meet such standards could even lead certain clients to terminate their business relationship with us, which could have a material adverse impact on our business, financial condition and results of operations.

In particular, these risks may be greater in our recently added nail lacquer business line given that we have less experience in this area compared with our other business lines.

In addition, we are exposed to product liability claims in the event our products are defective or cause injury to end users. If such claims were to materialize, our reputation and client relationships could be damaged and we could incur significant costs to defend against or settle such claims and we may be exposed to material civil liability.

We may fail to achieve our business strategies on a timely basis or at all.

We intend to pursue a growth strategy focused on the following key factors: favorable market dynamics, our leading position in our reference markets, our proven ability to create new products and to anticipate market trends and consumer demands and our efficient global production platform. We believe that we have significant opportunities to grow our business, including through the acquisition of new clients, the expansion of our skincare and nail lacquers business lines and increased penetration of emerging markets.

However, if we are unable to execute these strategies successfully or on a timely basis, or if our planned investments fail to achieve the intended results, including as a result of external factors, then our development plan could be compromised and our ability to achieve our growth targets would be negatively impacted.

We depend on the experience and expertise of our senior management team and certain key employees.

Our success is highly dependent, among other things, upon our ability to interpret and react to emerging trends in the color cosmetics and skincare markets and on the foresight and entrepreneurial skills of our top management and certain key employees. In particular, we rely upon the Senior Vice Presidents of our various business units, upon the executives in charge of our strategic marketing and exploratory and applied research functions and upon our CEO and founder Mr. Dario Gianandrea Ferrari. Accordingly, our ability to retain the key members of our senior management team as well as to recruit suitably qualified new executives will be a key factor in our future success.

The loss of the services of any of the key members of our management team or employees without their prompt and appropriate replacement could have a negative impact on our marketing and R&D activities and relationships with key clients, which could in turn negatively impact our business, financial condition and results of operations.

We may be unable to appropriately protect our intellectual property.

We believe that our ability to innovate represents one of our key competitive strengths and sources of value creation and that it permeates all of our corporate activities and processes. Whenever we develop a new product that has the appropriate characteristics, we seek to protect our intellectual property rights therein through the registration of patents, trademarks and other intellectual property rights. Although we expend significant resources to protect our products and processes, we cannot assure you that these activities will be sufficient to effectively protect our intellectual property or to prevent the imitation or counterfeiting of our products. If such risks were to materialize, our reputation could be harmed and our business, financial condition and results of operations be negatively impacted.

We operate on a global basis, which exposes us to numerous risks.

We operate on a global basis and are strongly diversified geographical markets.

Our exposure to multiple international markets entails a number of inherent risks and uncertainties including the risk that changes to the political and socio-economic conditions in a given market may negatively impact our production and distribution operations, with consequent damage to our business, financial condition, results of operations or reputation. For example, some of the countries in which we operate are economically

or politically unstable or could, in future, become subject to economic sanctions. Operating in these countries subjects us to the risk of unfavorable changes to laws and regulations relating to foreign investment, licensing, import or export tariffs and taxation and exposes us to bureaucratic requirements that may be difficult to implement, lower levels of protection for our legal and contractual rights as well as the risk of nationalization and/or expropriation or exchange controls that could limit our ability to remit funds to Italy. Moreover, in certain jurisdictions, laws, regulations and the interpretations thereof could be subject to unpredictable changes or uncertainties in application. For example, in China we currently benefit from certain tax and customs incentives related to our Suzhou (Intercos Cosmetics) facility located in the Suzhou "EPZ zone". Should the regulations establishing such incentives be re-interpreted, amended or revoked in the future by local authorities, we would have only limited ability to protect our rights. Should such a scenario materialize, we cannot assure you that our business, financial condition or results of operations will not be adversely impacted thereby.

Finally, our operations in emerging markets could also be affected by difficulties typical of developing nations such as, without limitation, transportation bottlenecks, infrastructure inadequacies and difficulties in finding and retaining skilled employees.

Exchange rate fluctuations may negatively affect our business.

Due to our significant international operations, we are exposed to exchange rate risks caused by fluctuations in the value of currencies against the functional currencies of each Group company. The principal exchange rates impacting our results of operations are listed below:

- €/US dollars—impacts transactions between companies operating in the Eurozone and the US market;
- €/Sterling—impacts transactions between companies operating in the Eurozone and Great Britain;
- US dollars/Renminbi—impacts transactions between Chinese companies and the US market; and
- €/Renminbi—impacts transactions between companies operating in the Eurozone and the Chinese market.

We prepare our consolidated financial statements in Euros and, therefore, fluctuations in the exchange rates used to translate the financial statements of our Subsidiaries who prepare their financial statements in currencies other than Euro could significantly affect our consolidated results of operations and financial condition expressed in Euro.

We cannot assure you that exchange rate fluctuations will not negatively impact our business, financial condition or results of operations in the future.

We depend on certain licenses, permits and authorizations to carry out our business.

We conduct our business on the basis of various licenses, permits and authorizations granted by government authorities and which are essential to the conduct of our operations.

Industrial accidents are governed by Legislative Decree n. 152/2006, which imposes limits on emissions and discharges into surface waters and in soil as well as regulates the processing of waste, environmental damage and health and safety. Under such laws and regulations, the Group is required to obtain permits and authorizations to conduct its business.

Should any such licenses, permits or authorizations not be granted, or be suspended, revoked or not renewed, we may become subject to significant limitations on exercise our activities and this could, in turn, negatively impact our production levels, business, financial condition and results of operations.

We face certain risks related to enterprise liability pursuant to Italian Legislative Decree No. 231/2001 and noncompliance with law and regulations and conducting operations in jurisdictions outside of Italy.

Each of Intercos and Intercos Europe has adopted a compliance program designed to prevent the commission of the offenses contemplated in Italian Legislative Decree No. 231/2001 (each a "**Compliance Program**") which governs enterprise liability under Italian law. Such offenses include, among others, corruption crimes, fraud crimes (including accounting fraud), falsification crimes and corporate crimes. However, we cannot provide any assurance that the Compliance Programs already adopted or to be adopted will successfully prevent the commission by Group companies of relevant offenses or be effective in shielding us from related enterprise liabilities (including in relation to acts performed prior to the adoption of the Compliance Programs). In such a scenario, based on applicable Italian law, the affected Group company (whether or not located in Italy) and, potentially, the Issuer, could be exposed to enterprise liability in relation to certain crimes that may be committed by our employees in the discharge of their corporate duties.

The other companies in our Group have not adopted equivalent compliance programs, but are subject to guidelines based on the objectives of the Compliance Program. Policies, including a Code of Ethics and a Code of Conduct, have also been issued to all affiliates of the Group. In addition, these Group companies are required to comply with a number of local anti-fraud, anti-corruption, anti-bribery and money laundering regulations. Despite the implementation of guidelines, Codes of Ethics and Codes of Conduct, we nevertheless risk being associated with fraudulent activity by one of our employees, agents or joint venture partners, even if these parties are not subject to our control.

On March 17, 2015 EY informed the Issuer that on March 15, 2015 EY's affiliate in the United States received a telephone call in which an anonymous caller claimed that there could be a potential fraud committed by Intercos America Inc. ("**Intercos America**") or its employees. Based on the information that the Issuer has received from EY, the anonymous caller did not provide any details or evidence as to the type or scope of potential fraud allegedly committed or when such activity allegedly occurred. As at the date hereof, Intercos America has substantially completed its 2014 year end closing procedures and internal controls in connection with the financial statements as at and for the year ended December 31, 2014 and no relevant fact in regards to a potential fraud has come to the attention of management of Intercos America or the Issuer. Furthermore, to the knowledge of the Issuer: (1) neither Intercos America nor its employees have committed any fraud; and (2) no claim of fraud relating to Intercos America has been submitted to the competent authorities. Neither the Issuer nor the Guarantors have any additional information regarding this allegation.

If any of the risks described above were to materialize, our business, financial condition and results of operations could be negatively impacted.

Intercos is increasingly dependent on information technology, and if Intercos is unable to protect against service interruptions, data corruption, cyber-based attacks or network security breaches, its operations could be disrupted.

The Issuer relies on information technology networks and systems, including the Internet, to process, transmit and store electronic and financial information, to manage a variety of business processes and activities, and to comply with regulatory, legal and tax requirements. The Issuer also depends on its information technology infrastructure for electronic communications among its locations, personnel and suppliers around the world. These information technology systems may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components thereof, power outages, hardware failures, computer viruses, attacks by computer hackers, telecommunication failures, user errors or catastrophic events, including in relation to customer data. If Intercos's information technology systems suffer severe damage, disruption or shutdown and its business continuity plans do not effectively

resolve the issues in a timely manner, its product sales, business, results of operations and financial condition may be materially and adversely affected, and Intercos could experience delays in reporting its financial results.

In addition, if Intercos is unable to prevent security breaches, it may suffer financial and reputational damage or penalties because of the unauthorized disclosure of confidential information belonging to it or to its, customers or suppliers. In addition, the unauthorized disclosure of non-public sensitive information could lead to the loss of intellectual property or damage Intercos's reputation and brand image or otherwise adversely affect its ability to compete.

Risks Related to our Industry

We are exposed to the risk that our clients may change their strategy with respect to outsourcing.

Our success is strongly linked to the preference of many cosmetics companies to outsource the production of one or more categories of cosmetic products marketed by them, as well as, in some cases, the internal research and development functions. Indeed, many of our clients do not have any internal research, development or manufacturing capabilities and therefore choose to fully outsource these functions to third parties such as ourselves.

However, we cannot assure you that, in the future, one or more of our current clients will not decide to reverse this business strategy and internalize one or more stages of the production process and, consequently, to reduce or terminate its business relationship with us. Any such changes in strategy, if they occur, could have a materially adverse impact on our business, results of operations and financial condition.

We may not be able to adapt to changing market trends and consumer preferences in our key markets.

The color cosmetics and skincare markets are closely related to the world of fashion and, like the fashion industry, they are characterized by rapidly changing and hard to predict consumer preferences and fashion trends. As a result, our success depends, among other things, on our continued ability to interpret, anticipate and influence future changes in consumer tastes and fashion trends. We must continuously create and present to our clients new products and solutions that reflect these changing trends.

However, we cannot assure you that we will continue to be successful in these efforts. If we lose our ability to anticipate, influence and adapt to changing consumer trends, our reputation as an innovation leader in the market for outsourced color cosmetics could be significantly harmed which, in turn, could have significant negative impacts on our business, results of operations and financial condition.

We face risks relating to general economic trends.

The demand for our products and services is influenced by a number of factors beyond our control, including general macroeconomic conditions and trends in consumer confidence and propensity to spend. The ongoing global financial crisis and the recessionary conditions that have prevailed in many countries in recent years have negatively impacted our economic performance. In particular, the demand for cosmetics is negatively affected during recessionary periods due to declines in consumer disposable income.

The continuation or worsening of the economic downturn in Europe and elsewhere would negatively impact the demand for our products by, for example, leading to longer sales and inventory cycles, slower acceptance of new products and increased competition in sales.

If the demand for our products should decrease, we might not have access to sufficient financial resources to enable us to meet our obligations, we might not be able to refinance or extend our short term indebtedness and we might be forced to engage in "fire sales" of assets, enter into expensive financings or cut our R&D spending and capital investment programs. Were any of these events to occur, our business, results of

operations and financial condition would be negatively impacted thereby. In addition, if economic conditions continue to deteriorate or there are adverse developments in the credit markets, this could have a negative impact on our ability to turn our trade receivables into cash on a timely basis, as well as on our efforts to find new clients or suppliers, with possible negative effects on our business, results of operations or financial condition.

We face risks related to changes in the demand for cosmetic products and seasonality.

The cosmetics and beauty industries are generally considered consumer discretionary. Therefore, sales of these products are influenced by macroeconomic conditions in end-user markets, including changes in employment levels, consumer spending habits and the availability of credit.

In times of economic crisis, confidence and consumer spending tend to decrease significantly. In addition, in periods of deteriorating economic conditions, retailers often tend to manage existing inventory levels by reducing volume of new product purchases.

As a result, during an economic downturn, our clients reduce purchases of products and seek to renegotiate payment terms, conditions of credit and product prices.

Macroeconomic events can, therefore, cause a variation in Group revenues and profit, with possible negative effects on the business, financial condition and results of operations of the Issuer and the Group.

In addition, we produce certain products based on the specific needs of certain clients and commence manufacturing of those products on the basis of the clients' estimated volumes. Should these clients significantly decrease their orders after we have started production, we could incur increased costs, which may not be recoverable in a timely manner, or at all, with possible negative effects on the business, financial condition and results of operations of the Issuer and the Group.

The foregoing factors can be compounded by the seasonal variations in demand for color cosmetics and makeup, which in turn leads to variability in quarterly revenues, exhibiting significant peaks in demand during certain periods of the year, generally in the second half of the year.

We face significant competition in our business and if we do not compete effectively our business will be harmed.

The color cosmetics and skincare product markets are highly competitive at the global level. Various participants in these markets are significantly larger than us and have greater resources than we do, and so may be able to better and more quickly adapt to market changes than we can.

Therefore, in order to maintain our position as a leading provider of outsourcing services to the color cosmetics and skincare products industries, we will need to continue investing in our research, development and innovation activities while at the same time improving our quality levels and keeping our costs under control in order to maintain competitive pricing for our products and services. If we are not successful in this regard, our competitors may take market share away from us, which could have a negative impact on our business, results of operations and financial condition.

We face risks related to possible changes to national and international laws and regulations.

We operate in numerous jurisdictions. We are therefore subject to different laws, regulations and standards applicable to the manufacture, distribution and export of cosmetics products and must monitor regulatory developments in various countries in order to ensure that we comply with all applicable laws, regulations and standards.

Any changes to such laws, regulations and standards may require us to adapt our production systems, manufacturing and distribution processes or product characteristics. This could increase our operating costs

and/or reduce our operating flexibility which, in turn, could negatively impact our business, results of operations and financial condition.

Our current Controlling Shareholder owns a significant percentage of our share capital and has significant influence over us. The interests of our Controlling Shareholder could differ and may even be adverse to the interests of the Noteholders.

Mr. Dario Gianandrea Ferrari indirectly holds, through Dafe 3000, Dafe 4000 and Dafe 5000, approximately 56.6% of our share capital. Since our Controlling Shareholder exercises control over us, this will be a determining factor in resolutions passed in our shareholders meetings concerning such issues as approval of our financial statements, distribution of dividends, appointment and dismissal of members of our Board of Directors and our Board of Statutory Auditors, changes to our capital structure, changes to our bylaws and significant corporate transactions. Our Controlling Shareholder will be able to use these powers to vote in his own interest, which could differ and even be adverse to the interests of the Noteholders.

Risks Relating to the Notes

The Notes are fixed-rate securities and are vulnerable to fluctuations in market interest rates.

The Notes will bear interest at a fixed rate. A holder of a security with a fixed interest rate is exposed to the risk that the price of such security falls as a result of changes in the current interest rate on the capital markets ("**Market Interest Rate**"). While the nominal interest rate of a security with a fixed interest rate is fixed during the life of such security or during a certain period of time, the Market Interest Rate typically changes on a daily basis. As the Market Interest Rate changes, the price of such security changes in the opposite direction. If the Market Interest Rate increases, the price of such security typically falls, until the yield of such security is approximately equal to the Market Interest Rate. Conversely, if the Market Interest Rate falls, the price of a security with a fixed interest rate typically increases, until the yield of such security is approximately equal to the Market Interest Rate. Investors should be aware that movements of the Market Interest Rate could adversely affect the market price of the Notes.

The Notes may not be a suitable investment for all investors.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;

(iv) understand thoroughly the terms of the Notes; and

(v) be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Notes, unless the potential investor has the expertise (either alone or with a financial advisor) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Not all of the Issuer's Subsidiaries will guarantee the Notes, and the Notes will be structurally subordinated to indebtedness of non-Guarantor Subsidiaries.

Only Intercos Europe and CRB will guarantee the Notes on issue and future Subsidiaries of the Issuer will not guarantee the Notes other than in certain circumstances required by the terms and conditions of the Notes. See "*Terms and Conditions of the Notes—Additional Guarantors*".

In the event of a liquidation, winding-up or dissolution or a bankruptcy, administration, reorganization, insolvency, receivership or similar proceeding of any Subsidiary that does not provide a Guarantee in favor of the Notes, such non-Guarantor Subsidiaries will pay the holders of their own debt (including holders of third-party debt which such Subsidiaries have guaranteed), their trade creditors and any preferred shareholders before they would be able to distribute any of their assets to the Issuer or the Guarantors. As a result of the foregoing, the Notes and the Original Guarantees will be structurally subordinated to all claims of creditors (including trade creditors) and preference shareholders (if any) of all of the Subsidiaries to all Issuer that do not guarantee the Notes.

For the year ended December 31, 2013, the Issuer's non-Guarantor Subsidiaries recorded EBITDA of €13.8 million representing approximately 28.5% (in each case gross of consolidation adjustments) of the Group's Consolidated EBITDA of €48.4 million for the same period and held 28.8% of the Group's consolidated net assets as of December 31, 2013.

Each of the Original Guarantee of Intercos Europe, and any further Guarantees granted by a Guarantor organized under the laws of Italy (each, an "Italian Guarantor") and the security interest granted in respect of the Issuer and Intercos Europe will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.

As further specified in the Trust Deed the obligations of an Italian Guarantor will not exceed, at any time, and on an aggregate basis with the obligations under any guarantee granted by the same Italian Guarantor pursuant the Bank Facilities Agreement, the sum of an amount equal to the aggregate, at any time, of (without any double counting): (a) the aggregate principal amount of the facilities drawn by that Italian Guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359, sections 1 and 2, of the Italian Civil Code) as borrower of the term loan of the Bank Facilities Agreement or made available to that Italian Guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359, sections 1 and 2, of the Italian Civil Code) as borrower of the revolving loan of the Bank Facilities Agreement (whether or not drawn or outstanding at that time); (b) the aggregate principal amount of (i) all intercompany loans (or other financial support in any form) advanced (or granted) to that Italian Guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359, sections 1 and 2, of the Italian Civil Code) by the Issuer or any other member of the Group before the date of the Trust Deed and outstanding on the date of the Trust Deed, to the extent not repaid or refinanced in the context of the notes issuance under the Trust Deed, as specified in the then latest annual financial statements (*bilancio di esercizio*) duly approved by the shareholders meeting of such Italian Guarantor and/or any of its direct or indirect subsidiaries, as the case may be; and (ii) the intercompany loan advanced by the Issuer to that Italian Guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359, sections 1 and 2, of the Italian Civil Code) on the Issue Date; and (c) the higher of (1) the exposure of that Italian Guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359, sections 1 and 2, of the Italian Civil Code) under all intercompany loans (or other financial support in any form) advanced (or granted) to that Italian Guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359, sections 1 and 2, of the Italian civil code) by the Issuer or any other member of the Group as outstanding at the time of enforcement of the relevant guarantee and (2) the average monthly exposure of that Italian Guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359, sections 1 and 2, of the Italian Civil Code), during the period from and including the date on which the Guarantee is given to the date on which it is

enforced, under all intercompany loans (or other financial support in any form) advanced (or granted) to that Italian Guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359, sections 1 and 2, of the Italian civil code) by the Issuer or any other member of the Group, in each case excluding intercompany loans advanced or granted to that Italian Guarantor by the Issuer out of the proceeds of equity injections made by the Issuer's shareholders after the date of the Trust Deed and excluding the intercompany loan advanced by the Issuer to that Italian Guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359 of the Italian Civil Code) on the Issue Date.

In addition, the obligations of an Italian Guarantor and the enforcement of any Guarantee granted by such Italian Guarantor will be subject to the limits provided for by the applicable laws of Italy, including a limitation to the extent that the granting of a Guarantee by an Italian Guarantor is not in the relevant Guarantor's corporate interests.

Accordingly, enforcement of such Guarantee against an Italian Guarantor would be subject to certain defenses available to the Italian Guarantor, its shareholders and creditors according to the relevant laws of Italy. These laws and defenses include those that relate to the directing and coordinating relationship between companies, fraudulent conveyances or transfers, insolvency, voidable preferences, financial assistance, corporate purpose or benefit, preservation of share capital, thin capitalization and defenses affecting the rights of creditors generally. As a result, the liability of an Italian Guarantor under a Guarantee could be materially reduced or eliminated, depending on the law applicable to it.

The proceeds of the Notes will be used by the Issuer to repay (through the Guarantors) part of the existing credit facilities of the Group and to pay fees and costs related to the issue of Notes. According to Italian corporate law, an Italian company must receive a real and adequate benefit when entering into a transaction (including granting a guarantee or a security interest). The concept of a real and adequate benefit is not specifically defined in the applicable Italian legislation and is determined by courts by undertaking a factual analysis on a case by case basis. As a general rule, corporate benefit does not *per se* coincide with the interest of the company's shareholders and is to be assessed at the level of the relevant company on a stand alone basis, although upon certain circumstances and subject to specific rules the interest of the group to which such company belongs may also be taken into consideration.

As a general rule, absence of a real and adequate corporate benefit could render the granting of a security interest or a guarantee *ultra vires* and potentially affected by conflict of interest and the related corporate resolutions adopted by the shareholders and directors may be the subject matter of challenges and annulment. Civil liabilities also may be imposed on the directors of the company if it is assessed that they did not act in the interest of it and that the acts they carried out do not fall within the corporate purpose of the company or were against mandatory provisions of Italian law. The lack of corporate benefit could also lead to civil liabilities on those companies or persons ultimately exercising control over the Italian grantor or having knowingly received an advantage or profit from such improper control. Moreover, the transaction (including the security interest or guarantee granted by an Italian company) could be declared null and void if the lack of corporate benefit was known or presumed to be known by the third party and such third party acted intentionally against the interest of the company.

The above principles on corporate benefit apply equally to upstream/cross-stream/downstream security interest or guarantees granted by Italian companies.

In relation to security interests or guarantees, while corporate benefit for a downstream security or guarantee (i.e., a security or a guarantee granted to secure financial obligations of direct or indirect subsidiaries of the relevant grantor) can usually be easily proved, the validity and effectiveness of an upstream or cross-stream security or guarantee (i.e., a security interest or a guarantee granted to secure financial obligations of the direct or indirect parent or sister companies of the relevant grantor) granted by an entity organized under the

laws of Italy depend on the existence of a real and adequate benefit in exchange for the granted security interest or guarantee. The general rule is that the risk assumed by an Italian grantor of security or guarantee must not be disproportionate to the direct or indirect economic benefit to it. In particular, in case of upstream and cross-stream security interests or guarantees for the financial obligations of group companies, examples may include financial consideration in the form of access to cash flows through intercompany loans from other members of that group.

Additionally, the grant of security interests to secure the Notes may be voidable by the grantor or by an insolvency trustee, liquidator, receiver or administrator or by other creditors, or may otherwise be set aside by a court, or be unenforceable if certain events or circumstances exist or occur, including, among others, if the grantor is deemed to be insolvent at the time of the grant, or if the grant permits the secured parties to receive a greater recovery than if the grant had not been given and an insolvency proceeding in respect of the grantor is commenced within a legally specified "clawback" period following the grant. To the extent that the grant of any security interest is voided, holders of the Notes would lose the benefit of the relevant security interest.

Furthermore, since the Italian Guarantor is (and any further Italian Guarantor can potentially be) subject to the directing and coordinating powers of the Issuer pursuant to Article 2497 of the Italian Civil Code, an Italian Guarantor's minority shareholders (if any) and creditors may have grounds to claim damages from the Issuer in cases in which the same can prove that the relevant Guarantee has been granted to the detriment of the corporate capital or contrary to the interest of the Italian Guarantor. Pursuant to Article 2497 of the Italian Civil Code, the other companies which form part of the Issuer's group would also be jointly liable for any damages suffered by an Italian Guarantor to the extent they have contributed in influencing an Italian Guarantor's decision to issue the relevant Guarantee to the detriment of its corporate interest. These same considerations could apply also to Guarantors which are not Italian since, according to certain scholars, remedies pursuant to Articles 2497 and ff. of the Italian Civil Code are available also to creditors and minority shareholders of foreign subsidiaries.

Each of the Original Guarantee of CRB, and any further Guarantees granted by a Guarantor organized under the laws of Switzerland (each, a "Swiss Guarantor") will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.

Under Swiss law, the validity or enforceability of a Guarantee issued by a Swiss Guarantor may be limited by applicable bankruptcy, insolvency, re-organization, enforcement laws and treaties or similar laws, regulations or defenses affecting creditors and secured parties in general (including provisions relating to fraudulent transfer, voidable preference, corporate purpose, financial assistance, capital maintenance and solvency) or laws or principles of general application (including the abuse of rights (*Rechtsmissbrauch*) and the principle of good faith (*Grundsatz von Treu und Glauben*) and public policy. It may not be possible to enforce, or recover any amounts under the Guarantees granted by a Swiss Guarantor due to restrictions on enforcement reflecting Swiss corporate, tax and contract law.

The obligations of a Swiss Guarantor and the enforcement of any Guarantee granted by such Swiss Guarantor, or other payment obligation incurred to the benefit of its affiliates other than direct or indirect subsidiaries, will be subject to a limitation to the extent that the granting of a Guarantee by a Swiss Guarantor or the payment made to the benefit of its affiliates other than direct or indirect subsidiaries, is not in the relevant Guarantor's corporate interests. Swiss corporate law does not recognize the overall legal concept of integrated company groups. Consequently, directors and officers of a Swiss Guarantor may not take a consolidated view and fulfill their fiduciary duties merely by considering the overall interests of the group as a whole and intra-group transactions not made on arms' lengths terms may not be considered by the directors

and officers of the relevant Swiss Guarantor as being carried out in the corporate interest of the Swiss Guarantor itself.

Therefore, the enforcement of the guarantees, security interests or other payment obligations or indemnifications provided by a Swiss Guarantor such as the Guarantees may be also limited by the financial assistance rules imposed by Swiss corporate and tax law and may significantly impact the value of the Guarantee.

Financial Assistance

Guarantees and security interests and any other payment obligation, subordination obligation, liability or indemnification provided by a Swiss Guarantor in connection with, or in order to guarantee or secure, obligations of its direct or indirect shareholder(s) ("**upstream obligations**") or of related persons or entities of its shareholder(s) other than its direct or indirect subsidiaries ("**cross-stream obligations**"), such as the Guarantee provided by a Swiss Guarantor that guarantees the obligations of the Issuer of the Notes, are subject to certain Swiss corporate law rules. In particular, upstream and cross-stream obligations must be within the Swiss Guarantor's corporate purpose and may not exceed a Swiss Guarantor's freely distributable equity at the time of enforcement. The enforcement of the upstream or cross stream obligations may be treated as a dividend distribution to shareholders and may be subject to certain corporate formalities, in particular, payments under such obligations, must be approved by the shareholder of the Swiss Guarantor, based on an auditor's report which determines the freely distributable reserves at the time of enforcement. The granting of upstream or cross-stream obligations, such as guarantees or security interests provided by a Swiss Guarantor, in breach of such financial assistance rules could result in the invalidity and non-enforceability of such upstream or cross-stream obligations and could cause liability of the board of directors of a Swiss Guarantor.

Payments under upstream or cross-stream obligations, such as the Guarantees provided by a Swiss Guarantor may be subject to the withholding tax at a rate of 35% (or such other rate as in force from time to time), which, unless such Swiss Guarantor has entered into a specific agreement with the Swiss Federal Tax Administration for a reduced rate of withholding or unless otherwise provided by law, must be deducted from the gross payment. Swiss resident beneficial owners of such payments can claim full refund of the withholding tax on the basis of national law, provided the specific requirements are met. Non-Swiss resident beneficial owners of such payments can claim full or partial refund of the withholding tax on the basis of an applicable double taxation treaty between the country of residence of the recipient and Switzerland, including the Savings Tax Agreement signed between Switzerland and the European Union on October 26, 2004 (SR 0.641.926.81, SR 0.641.926.811), which also covers dividends to EU parent companies, provided the specific requirements are met. The obligations of the Swiss Guarantor to gross up by paying additional amounts are capped at the freely distributable equity at the time of enforcement and Swiss withholding tax would be due on and deducted from the grossed-up amount.

Financial assistance rules are unsettled under Swiss law. We can provide no assurances that future court rulings will not further restrict the enforceability, or deny the validity, of the obligations of a Swiss Guarantor under the Notes, in particular, we can provide no assurances that future court rulings will not further restrict the enforceability, or deny the validity, of the obligations of a Swiss Guarantor under the Conditions or the Trust Deed.

Any potential future Guarantees may be limited by applicable laws or subject to certain limitations or defenses that may limit its validity and enforceability.

To the extent the Notes are guaranteed, any potential future Guarantors will guarantee the payment of the Notes on a senior unsecured basis, and the terms of the Notes permit, and require, Guarantor Subsidiaries to

be added in certain circumstances. Any potential future Guarantees provide the holders of the Notes with a direct claim against the assets of the relevant potential future Guarantors. Notwithstanding the foregoing, the claims of the holders of the Notes under any potential future Guarantees will be effectively limited to the maximum amount that can be guaranteed by the potential future Guarantors without rendering the potential future Guarantees voidable or otherwise ineffective or to constitute unlawful distribution of funds under applicable laws, and enforcement of the potential future guarantees against the potential future Guarantors will be subject to certain defenses available to Guarantors generally and to limitations designed to ensure full compliance with statutory requirements applicable to the potential future Guarantors. These laws and defenses include those that relate to fraudulent conveyance or transfer, voidable preference, unfair consideration, financial assistance, unlawful distribution of funds, corporate benefit, capital maintenance, set off or similar laws and regulations or defenses affecting the rights of creditors generally. As a result, any potential future Guarantors' liability under any potential future Guarantees could be materially reduced or eliminated, depending upon the amounts of their other obligations and upon applicable laws. It is possible that the potential future Guarantors, a creditor of a potential future Guarantor or (in the case of a bankruptcy of a potential future Guarantor) a Guarantor's liquidator in bankruptcy contests the validity or enforceability of the potential future Guarantees, and a court determines that the potential future Guarantees should be limited or voided. In the event that a potential future Guarantee is invalid or unenforceable, in whole or in part, or to the extent that agreed limitations on the potential future Guarantees obligations apply, holders of the Notes may have no direct claim against a potential future Guarantor or its assets and the Notes would be effectively subordinated to all liabilities of the applicable potential future Guarantor.

We may not generate sufficient cash to service our debt and to sustain our operations.

Our ability to make principal or interest payments when due on our indebtedness, including the Notes and the Facilities, and to fund our ongoing operations, will depend on our future performance and our ability to generate cash, which to a certain extent is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in these "*Risk Factors*", many of which are beyond our control. At the maturity of the Notes, the Facilities or any other debt which we may incur, if we do not have sufficient cash flows from operations and other capital resources to pay our debt obligations, or to fund our other liquidity needs, we may be required to refinance our indebtedness. If we are unable to refinance our indebtedness or obtain such refinancing on terms acceptable to us, we may be forced to sell assets, or raise additional debt or equity financing in amounts that could be substantial. The type, timing and terms of any future financing will depend on our cash needs and the prevailing conditions in the financial markets. We cannot assure you that we would be able to accomplish any of these measures in a timely manner or on commercially reasonable terms, if at all. In addition, the terms of the agreements governing our indebtedness, including the Notes and the Facilities, may limit our ability to pursue any of these measures.

We will be subject to significant restrictive covenants under the agreements governing our indebtedness, which limit our operating flexibility.

The Conditions will contain covenants significantly restricting the ability of the Issuer and its Subsidiaries among other things, to:

(i) incur or guarantee additional Indebtedness;

(ii) pay dividends on, redeem or repurchase the Issuer's Capital Stock;

(iii) enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, transfer or otherwise dispose of its property or assets; and

(iv) enter into transactions with affiliates.

All of these limitations will be subject to a number of important qualifications and exceptions as more fully described in *Terms and Conditions of the Notes – Covenants*). These covenants could limit our ability to finance our future operations and capital needs and our ability to pursue acquisitions and other business activities that may be in our interest.

The Facilities will require us to comply with a number of undertakings, including:

(i) no adverse change to by-laws;

(ii) maintenance of material permits, material assets and insurance coverages;

(iii) no subordination of Bank Facilities Agreement;

(iv) negative pledge;

(v) restrictions on asset disposals;

(vi) restrictions of issuance of guarantees or extensions of credit to third parties;

(vii) restrictions on incurrence of additional indebtedness;

(viii) restrictions on extraordinary, M&A or joint venture transactions;

(ix) no voluntary liquidation;

(x) any transaction shall be made on arm's-length terms;

(xi) restrictions on distribution of dividends or other consideration to shareholders (including through share buybacks).

In addition, the Facilities will require us to comply with certain financial covenants including the obligation to maintain certain ratios of: (i) net financial indebtedness to consolidated ebitda; (ii) consolidated ebitda to net consolidated financial charges; and (iii) consolidated available cash flow and consolidated debt service. The Facilities also places certain restrictions on the amount of cash that we may use for investment and on our total financial indebtedness. Our ability to comply with these covenants can be affected by events beyond our control. A breach of any of those covenants, ratios, tests or restrictions could result in an event of default under the Facilities. Upon the occurrence of any event of default under the Facilities, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant lenders could elect to declare all amounts outstanding under the Facilities, together with accrued interest, immediately due and payable. In addition, any default under the Facilities could lead to an event of default and acceleration under other debt instruments that contain cross default or cross-acceleration provisions, including the Notes. If our creditors, including the lenders under the Facilities, accelerate the payment of those amounts, we cannot assure you that our assets and the assets of our Subsidiaries would be sufficient to repay in full those amounts, to satisfy all other liabilities of our Subsidiaries which would be due and payable and to make payments to enable us to repay the Notes, in full or in part.

The loans under the Facilities will bear interest at a floating rate, which could rise significantly, increasing our costs and reducing our cash flow.

The loans under the Facilities will bear interest at EURIBOR and, up to the euro equivalent amount of €18,400,400, in LIBOR, plus a margin, as adjusted periodically. Furthermore, we may incur additional indebtedness that bears interest at a floating rate. EURIBOR and/or any other floating interest rate applicable to such indebtedness could rise significantly in the future. To the extent that interest rates were to increase significantly, our interest expense would correspondingly increase, thereby reducing our cash flow.

Accordingly, any such increase could have a material adverse effect on our ability to service our debt obligations under the Facilities, and consequently also our obligations under the Notes.

Despite its level of indebtedness, the Group may still incur significantly more debt.

After giving effect to the issue of Notes, the incurrence of debt under the Facilities and, in each case, the application of the net proceeds therefrom, as of June 30, 2014, the Group would have had approximately €201.8 million of gross financial indebtedness and approximately €175.4 million of net financial indebtedness. In addition, the Group has incurred additional indebtedness since June 30, 2014 as a result of our higher working capital due to the seasonality of our sales, and may incur additional indebtedness under existing bilateral facilities prior to or following the Issue Date.

We anticipate that our high leverage will continue for the foreseeable future. Our high leverage could have important consequences to holders of the Notes, including, but not limited to:

(i) making it more difficult for us to satisfy our debt obligations;

(ii) increasing our vulnerability to a continuing downturn in our business or economic and industry conditions;

(iii) limiting our ability to obtain additional financing and increasing the cost of any such financing to fund future working capital requirements, capital expenditures, business opportunities and other corporate requirements;

(iv) requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, our indebtedness, which means that this cash flow would not be available to fund our operations and for other corporate purposes;

(v) limiting our flexibility in planning for, or reacting to, changes in our business, the competitive environment and our industry; and

(vi) placing us at a competitive disadvantage relative to a competitor with less leverage.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including obligations under the Notes. Moreover, we may incur substantial additional indebtedness in the future, including indebtedness in connection with any future acquisition.

In addition, the Group may be able to incur significant additional indebtedness in the future. Any increased level of indebtedness may increase the risk that the Group may be unable to generate sufficient cash to pay amounts due in respect of its outstanding indebtedness. Although the Conditions and the Facilities contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions and the additional indebtedness incurred in compliance with these exceptions could be substantial. If the Group incurs additional indebtedness, the related risks, as described above and elsewhere in these "*Risk Factors*", could intensify. In addition, the Conditions and the Facilities will not prevent us from incurring obligations that do not constitute indebtedness under those instruments.

The Issuer is a holding company and will depend on cash flows from its Subsidiaries to make payments on the Notes.

The Issuer is a holding company with limited business operations and no significant assets other than investments in its Subsidiaries, and will, accordingly, depend upon the receipt of sufficient funds from its Subsidiaries to meet its obligations under the Notes. The Issuer expects its Subsidiaries to provide funds to the Issuer in order to meet its obligations under the Notes through a combination of payments for corporate services and royalty payments received from the Issuer's Subsidiaries as well as dividends from its Subsidiaries.

The amount of dividends and distributions available to the Issuer will depend on the profitability and cash flow of its Subsidiaries and the ability of those Subsidiaries to pay dividends or make other distributions. For example, the Subsidiaries of the Issuer may not be able to, or may not be permitted under applicable law to, make distributions or advance upstream loans to the Issuer to make payments in respect of their indebtedness, including the Notes and the Original Guarantees. With respect to limitations of Italian law on distributions of dividends, please note that an Italian company can distribute its annual profits as dividends to its shareholder(s) only after deducting, as legal reserve, a percentage at least equal to 5% of such annual profits, until the relevant legal reserve is at least equal to 20% of the Italian company's corporate capital. Under Swiss law, any cross- or upstream payment or obligation, including dividend payments may not exceed a Swiss Guarantor's freely distributable equity and must be approved by the shareholder of a Swiss Guarantor, based on an auditor's report which determines the freely distributable reserves at the relevant time (see "*—Each of the Original Guarantee of CRB, and any further Guarantees granted by a Guarantor organized under the laws of Switzerland (each, a "Swiss Guarantor") will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*"). In particular, as all dividends may only be distributed out of distributable reserves, in principle, interim dividends are not allowed under Swiss law.

In the event that the Issuer does not receive distributions or other payments from its Subsidiaries, the Issuer may be unable to make required principal and interest payments on the Notes.

The Notes will be secured only to the extent of the value of the Transaction Security that has been granted as security for the Notes.

The Transaction Security securing the Notes will initially comprise (i) a pledge over 99.61% of the Issuer's shares and (ii) a pledge over 100% of Intercos Europe's shares. No other assets of the Issuer and its Subsidiaries will be pledged to secure the Notes, except for pledges on the shares of any Group company, which might in the future become additional borrower under the Facilities. The Transaction Security will also secure the obligations under the Facilities. The Transaction Security may also secure additional debt to the extent permitted by the terms of the Trust Deed, the Bank Facilities Agreement and the Intercreditor Agreement. Furthermore, all or part of the Transaction Security may be released without the consent of the holders of the Notes under certain circumstances. If an event of default occurs and the Notes are accelerated, to the extent the claims of the holders of the Notes exceed the value of the assets securing the Notes and other liabilities, claims related to any excluded assets will rank *pari passu* with the claims of the holders of any other unsecured indebtedness. Consequently, there can be no assurance that the proceeds from an enforcement (including, where applicable, a sale) of the Transaction Security will be sufficient to satisfy the obligations of the Issuer under the Notes.

It may be difficult to realize the value of the Transaction Security.

The Transaction Security will be subject to exceptions, defects, encumbrances, liens and other imperfections permitted under the Trust Deed and the Intercreditor Agreement, as well as under the Bank Facilities Agreement and related security documents, whether on or after the date the Notes are first issued. The existence of such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Transaction Security, as well as the ability of the Trustee to realize or foreclose on such Transaction Security. Furthermore, the first-priority ranking of security interests can be affected by a variety of factors, including the timely satisfaction of perfection requirements, statutory liens or re-characterization under the laws of certain jurisdictions.

The Transaction Security may be subject to practical problems generally associated with the realization of security interests in Transaction Security. The Security Agent may also need to obtain the consent of a third-party to enforce a security interest. The Security Agent may not be able to obtain any such consent. In

addition, the consents of any third parties may not be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the Transaction Security may significantly decrease. As a result, in these circumstances, the amount recoverable by the Noteholders could be materially reduced or eliminated.

After giving effect to the issue of Notes, the incurrence of debt under the Facilities and, in each case, the application of the net proceeds therefrom, as of June 30, 2014, the Group would have had approximately €55.4 million of outstanding net indebtedness other than the Notes secured on the Transaction Security and €24 secured on assets other than the Transaction Security.

Holders of the Notes may not control certain decisions regarding the Transaction Security.

The Notes will be secured by substantially the same property and assets securing the obligations under the Facilities. Pursuant to the Intercreditor Agreement, a common security agent shall serve as the Security Agent for the secured parties under the Facilities and the Notes and future secured creditors, with regard to the shared Transaction Security (as applicable). The Intercreditor Agreement provides that the Security Agent will, subject to certain limited exceptions, act to enforce the security interests in the Transaction Security and take instructions from the relevant secured creditors in respect of the Transaction Security only at the direction of an Instructing Group (as defined in the Intercreditor Agreement).

Generally, those Senior Secured Creditors (as defined in the Intercreditor Agreement) representing 75% of the aggregate of all commitments under the Facility, other relevant credit facility and the Notes have the right to instruct the Security Agent as to the enforcement of the Transaction Security in accordance with the procedures set out in the Intercreditor Agreement. Noteholders representing the requisite percentage of the outstanding principal amount under the Notes or the requisite majority as necessary to pass a resolution in relation to such matter, have the right to instruct the Trustee to instruct the Security Agent as to the enforcement of the Transaction Security, subject to the procedures set out in the Intercreditor Agreement (see "*Description of the Intercreditor Agreement – Procedure for Enforcement*"). If the requisite percentage of Noteholders or a resolution of the Noteholders, each as referred to above, direct the Trustee to direct the Security Agent to enforce the Security as discussed above, the Security Agent will on receipt of such instructions from the Trustee, when considering whether it has been instructed by an Instructing Group (as defined in the Intercreditor Agreement), treat such instruction from the Trustee as an instruction in respect of the entire principal amount outstanding of the Notes at such time.

The foregoing security enforcement arrangements could be disadvantageous to the holders of the Notes in a number of respects. Prior to the full discharge of the obligations under the Facilities, the holders of the Notes will have ability to instruct the Trustee to instruct the Security Agent as to the enforcement of the Transaction Security, however the Security Agent will only act on those instructions if such instructions together with any other instructions received by the Security Agent represent instructions of an Instructing Group. Except in these limited circumstances the holders of the Notes will have no separate right to enforce the Transaction Security securing the Notes, and will not be able to instruct the Trustee to instruct the Security Agent, force a sale of Transaction Security or otherwise independently pursue the remedies of a secured creditor under the relevant Security Documents.

As a result the holders of the Notes may be bound by decisions of an Instructing Group (as defined in the Intercreditor Agreement) that may result in enforcement action in respect of the relevant Transaction Security, whether or not such action is approved by the holders of the Notes or may be adverse to such Noteholders. The other Senior Secured Creditors (as defined in the Intercreditor Agreement) may have interests that are different from the interest of holders of the Notes and they may elect to pursue their remedies under the relevant Security Documents at a time when it would otherwise be disadvantageous for the holders of the Notes to do so.

Other creditors not party to the Intercreditor Agreement could commence enforcement action against the Issuer or one or more of its Subsidiaries, the Issuer or one or more of its Subsidiaries could seek protection under applicable bankruptcy laws, or the value of certain Transaction Security could otherwise be impaired or reduced in value.

The ability of the Security Agent to enforce certain of the Transaction Security may be restricted by local laws.

The Intercreditor Agreement will provide that to the extent permitted by the applicable laws, only the Security Agent has the right to enforce the Security Documents on behalf of the Senior Secured Creditors (as defined in the Intercreditor Agreement), including the Trustee and the holders of the Notes. As a consequence of such contractual provisions, holders of the Notes will not be entitled to take enforcement action in respect of the Transaction Security securing the Notes, except through the Trustee, who will (subject to the provisions of the Trust Deed) provide instructions to the Security Agent in respect of the Transaction Security and in accordance with the Intercreditor Agreement. See "*Terms and Conditions of the Notes*". Furthermore, the Security Documents are governed by Italian law and subject to the exclusive jurisdiction of the Italian courts, while the Notes, the Trust Deed and the Intercreditor Agreement are governed by English law and subject to the jurisdiction of the English courts as set out in Condition 18 (*Governing Law and Submission to Jurisdiction*) and equivalent provisions in the Trust Deed and the Intercreditor Agreement. As a consequence of this, to the extent any claim is brought in relation to the Notes in a court outside Italy, any aspect relating to the Security Documents will need to be dealt with separately in Italian courts.

In addition, the ability of the Security Agent to enforce the security interests is subject to mandatory provisions of the laws of each jurisdiction in which security interests over the Secured Property are taken. For example, the laws of certain jurisdictions may not allow for the appropriation of certain pledged assets, but require a sale through a public auction and certain waiting periods may apply.

Furthermore, it is uncertain and untested in the Italian courts whether, under Italian law, security can be created and perfected (i) in favor of creditors (such as the holders of the Notes) which are neither directly parties to the relevant security documents nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries; and (ii) in favor of The Law Debenture Trust Corporation Plc as the Trustee of the Notes under the Trust Deed, since there is no established concept of "trust" or "trustee" under Italian law and the precise nature, effect and enforceability of the duties, rights and powers of the Trustee as agent or trustee for holders of the Notes under security interests on Italian assets is debatable under Italian law.

Given the above and considering that the holders of the Notes may not be direct party to the Security Documents governed by Italian law, there is a risk that an Italian court may determine that the holders of the Notes at the time of enforcement are not secured by the security under the Security Documents governed by Italian law and/or cannot enforce that security.

Pursuant to Article 2414-bis, paragraph 3, of the Italian Civil Code (introduced by Law No. 164 of November 11, 2014), security interests can be validly created in favor of an agent (*rappresentante*) of the holders of the Notes who will then be authorized to enforce them on behalf of the holders of the Notes. In this connection, the Transaction Security governed by Italian law will be created and perfected in favor of Banca IMI S.p.A. acting as *rappresentante* of the holders of the Notes in accordance with Article 2414-bis, paragraph 3, of the Italian Civil Code. However, it is uncertain and untested how Italian courts will apply the new provisions introduced by Law No. 164 of November 11, 2014.

Moreover, under Italian law, claims of certain categories of creditors (*creditori privilegiati*) are given statutory priority in relation to the proceeds of a debtor's property in respect of the claims of other creditors.

Rights of Noteholders in the Transaction Security securing the Notes may be adversely affected by the failure to perfect security interests in the Transaction Security.

Under local laws, a security interest in certain tangible and intangible assets can only be properly perfected, and thus retain its priority if certain actions are undertaken by the secured party and/or the grantor of the security interest. The security interests in the Transaction Security may not be perfected with respect to the claims of the Notes if the Issuer or the Security Agent fail or are unable to take the actions required to perfect the security interest. Such failure may result in the invalidity of the relevant security interest in the Transaction Security or adversely affect the priority of such security interest in favor of third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Transaction Security.

The granting of the security interests in the Transaction Security may create hardening periods for such security interests in accordance with applicable laws.

The granting of new security interests in connection with the issuance of the Notes, including the new pledges over 99.61% of the shares of the Issuer and all the shares of Intercos Europe, may create hardening periods for such security interests in certain jurisdictions. The applicable hardening period for these new security interests will run from the moment each new security interest has been granted, perfected or recreated. In each instance, if the security interest granted, perfected or recreated were to be enforced before the end of the relevant hardening period applicable in such jurisdictions, such security interest may be declared void and/or it may not be possible to enforce it.

The Transaction Security may be weakened in the event of a public offering of the Issuer's shares.

The Conditions provide that the pledge over the Issuer's shares granted in favor of, among others, the Security Agent, the Trustee and the Noteholders upon issuance will be discharged in the event of a public offering of the Issuer's shares. Any such security release would reduce the overall Transaction Security which would have a negative effect on the recovery by a Noteholder following insolvency of the Issuer and could in any event have a negative effect on the price of the Notes in the secondary market.

Redemption may be required prior to maturity for tax reasons.

In the event that the Issuer would be obliged to increase the amounts payable in respect of the Notes due to any change in or amendment to the laws or regulations of the Republic of Italy or any political subdivision thereof or of any authority therein or thereof having the power to tax or in the interpretation or administration thereof, the Issuer may redeem all outstanding Notes in accordance with the Conditions of the Notes. If this occurs, there can be no assurance that it will be possible to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes.

The Issuer may not have sufficient funds at the time of occurrence of a change of control event to redeem outstanding Notes.

Upon the occurrence of certain events relating to the Issuer as set out in "*Terms and Conditions of the Notes—Redemption and Purchase—Redemption at the Option of the Holders upon a Change of Control*", under certain circumstances, the Noteholders will have the right to require the Issuer to redeem their outstanding Notes at 101% of their principal amount plus accrued and unpaid interest, if any, to the date of redemption. However, it is possible that the Issuer will not have sufficient funds at the time of occurrence of such events to make the required redemption of Notes. In addition, except as specifically set out in "*Terms and Conditions of the Notes—Redemption and Purchase—Redemption at the Option of the Holders upon a Change of Control*", the Notes do not contain provisions that provide a right to Noteholders to require the Issuer to purchase or redeem the Notes in any other circumstances.

Payments in respect of the Notes may in certain circumstances be made subject to withholding or deduction of tax.

All payments in respect of the Notes will be made free and clear of withholding or deduction of Italian taxation, unless the withholding or deduction is required by law. In that event, the Issuer will pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding or deduction been required. The Issuer's obligation to gross up is, however, subject to a number of exceptions, including withholding or deduction of:

- Italian substitute tax (imposta sostitutiva), pursuant to Italian Legislative Decree No. 239 of April 1, 1996 ("**Decree 239**"); and
- withholding tax operated in certain member states of the European Union (each a "**Member State**") pursuant to EC Council Directive 2003/48/EC and similar measures agreed with the European Union by certain non-EU countries and territories, a brief description of which is set out in this Prospectus.

See "*Terms and Conditions of the Notes—Taxation*".

Prospective purchasers of Notes should consult their tax advisors as to the overall tax consequences of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes, including, in particular, the effect of any state, regional or local tax laws of any country or territory. See also "*Taxation*".

Italian Substitute Tax

Italian substitute tax is applied to payments of interest and other income (including the difference between the redemption amount and the issue price) at a rate of 26 per cent. to (i) certain Italian resident Noteholders, and (ii) certain non-Italian resident Noteholders who have not filed in due time with the relevant depository a declaration (*autocertificazione*) stating, among other things, that he or she is resident for tax purposes in a country which allows for an adequate exchange of information with the Italian tax authorities.

Withholding under the EU Savings Directive

EC Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**") requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual resident, or certain other types of entity established, in that other Member State, except that Austria will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period it elects otherwise.

A number of third countries and territories (including Switzerland) have adopted similar measures to the Savings Directive.

The Council of the European Union has adopted a Directive (the "**Amending Directive**") which will, when implemented, amend and broaden the scope of the requirements of the Savings Directive described above. The Amending Directive will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or for the benefit of) (i) an entity or legal arrangement effectively managed in a Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in a Member State, may fall within the scope of the Savings Directive, as amended. The

Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by January 1, 2016, which legislation must apply from January 1, 2017.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. Furthermore, once the Amending Directive is implemented and takes effect in Member States, such withholding may occur in a wider range of circumstances than at present, as explained above.

The Issuer is required to maintain a Paying Agent with a specified office in a Member State that is not obliged to withhold or deduct tax pursuant to any law implementing the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000. However, investors should be aware that any custodians or intermediaries through which they hold their interest in the Notes may nonetheless be obliged to withhold or deduct tax pursuant to such laws unless the investor meets certain conditions, including providing any information that may be necessary to enable custodians and intermediaries to make payments free from withholding and in compliance with the Savings Directive, as amended.

Investors who are in any doubt as to their position should consult their professional advisors.

For further information on the Savings Directive, see the section headed "*Taxation*" below.

Investors must rely on the procedures of the Clearing Systems to trade their beneficial interests in the Notes and to receive payments under the Notes.

The Notes will be deposited with a Common Safekeeper for the Clearing Systems. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive Definitive Notes. The Clearing Systems will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through the Clearing Systems. While the Notes are represented by one or more Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments to the Clearing Systems for distribution to their accountholders. A holder of a beneficial interest in a Global Note must rely on the procedures of the Clearing Systems to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes. Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the Clearing Systems to appoint appropriate proxies.

Noteholders may not receive Definitive Notes under certain circumstances due to the minimum denominations of the Notes.

The Notes are issued in denominations of €100,000 or higher amounts which are integral multiples of €1,000, up to a maximum of €199,000. Although Notes may not be traded in amounts of less than €100,000, it is possible that they will be traded in amounts that are not integral multiples of €100,000. In such case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than €100,000 may not receive a Definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to the minimum denomination. If Definitive Notes are issued, holders should be aware that Definitive Notes which have a denomination that is not an integral multiple of €100,000 may be illiquid and difficult to trade.

Risks Relating to Local Law

The Conditions of the Notes will be based on English law and, in respect of the mandatory provisions relating to meetings of Noteholders and the Noteholders' Representative (*rappresentante comune*), on Italian law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or, as the case may be, Italian law or any administrative practice thereof after the date of this Prospectus.

Modification and waivers that affect the terms of the Notes, if effected in accordance with the Conditions, will be binding on all holders of the Notes.

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally, including, among other things, any proposal to modify the maturity of the Notes or the dates on which interest is payable on them, to reduce or cancel the principal amount of, or interest on, the Notes, or to change the currency of payment of the Notes. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions of the Notes also provide that the Trustee may, without the consent of the Noteholders or Couponholders, agree to (i) the waiver or authorisation of any breach or proposed breach of any of the provisions of the Notes, and/or (ii) determine, without the consent of the Noteholders or Couponholders, that any Event of Default or potential Event of Default shall not be treated as such, each in the circumstances described in Condition 15.3 (*Modification, Waiver, Authorisation and Determination*).

Insolvency laws applicable to the Issuer and the Original Guarantors may not be as favorable to the Noteholders as bankruptcy laws in other jurisdictions.

Italian law

Each of the Issuer and Intercos Europe is incorporated in the Republic of Italy. The Issuer, Intercos Europe and their Italian Subsidiaries (as well as any of its Subsidiaries whose center of interests is deemed to be the Republic of Italy) will be subject to Italian insolvency laws. The Italian insolvency laws may not be as favorable to Noteholders' interests as creditors as the laws of other jurisdictions with which the Noteholders may be familiar.

For instance, if the Issuer becomes subject to certain bankruptcy proceedings, payments made by the Issuer in favor of the Noteholders or the Trustee on their behalf prior to the commencement of the relevant proceeding may be liable to claw-back by the relevant trustee. In addition, the declaration of insolvency of the Issuer or of an Italian Guarantor would prevent any enforcement action by the Noteholders and limit their possibility to enforce security interests. The above is explained in more detail in the paragraph below, which sets out a brief description of certain aspects of the Italian bankruptcy law.

Furthermore, under Italian law, holders of the Notes do not have any right to vote at any shareholders' meetings of the Issuer. Consequently, Noteholders cannot influence any decisions by the Board of Directors of the Issuer or any decisions by shareholders concerning the Issuer's capital structure, including the declaration of dividends in respect of the Issuer's ordinary shares.

Italian bankruptcy law

Under the Italian bankruptcy law, bankruptcy ("*fallimento*") of an Italian company must be declared by a court, upon a petition filed by either the company itself, the public prosecutor and/or one or more creditors. The court will declare the company "bankrupt" if it finds that it is no longer able to regularly meet its obligations as they fall due. This must be a permanent, and not a temporary, status, in order for a court to hold that a company is insolvent.

In addition to the above, some pre-insolvency proceedings are currently available under Italian law for companies facing financial difficulties or temporary cash flow shortfall and, in general, financial distress. It should be noted that the terms of pre-insolvency arrangements may require creditors to waive part of their claims.

After the commencement of a bankruptcy proceeding (and to a lesser extent also after the commencement of some of the pre-bankruptcy proceedings) : (i) any transaction entered into by an Italian entity after a declaration of bankruptcy is ineffective with respect to the bankruptcy receiver and all creditors generally; (ii) subject to certain exceptions, all actions of creditors are stayed and, in order to pursue their claims, all creditors must file a petition with the bankruptcy receiver; (iii) in order to enforce a security interest, secured creditors need to be authorized by the bankruptcy receiver unless the security interest is capable of being created and is created in accordance with Law n. 170 of 2004; (iv) secured claims are paid out of the proceeds of the secured assets, together with interest and expenses.

The proceeds from the liquidation are distributed to the creditors whose claims have been filed and approved by the court in accordance with statutory priority. Italian bankruptcy law provides for priority to the payment of certain preferential creditors, including administrative costs associated with the bankruptcy proceeding and including the costs related to the receiver's running of the company, Italian tax and national social security contributions and employee arrears of wages or salary. Unsecured creditors are therefore satisfied after payment of preferential and secured creditors, out of available funds and assets (if any).

Similarly to other jurisdictions, there are so-called "clawback" provisions under Italian law that may give rise, *inter alia*, to the avoidance of payments, security interests or other transactions made or entered into, as the case may be, by the debtor prior to the declaration of bankruptcy. The key clawback provisions address transactions made below market value, preferential transactions and transactions entered into with a view to defraud creditors. In such cases, Italian bankruptcy law provides for a clawback period of up to one year. Up to six-months prior to the declaration of bankruptcy, all types of transactions (including those at arms' length) can be clawed back. Prepayments may be clawed back if made up to two years prior to the declaration of bankruptcy.

Swiss law

CRB is organized under the laws of Switzerland. Consequently, in the event of a bankruptcy or insolvency event with respect to CRB or any other Swiss Guarantor, primary proceedings could be initiated in Switzerland and insolvency proceedings relating to such Swiss Guarantors' Guarantees and the security interests provided by such Swiss Guarantors would likely be subject to Swiss insolvency law. Swiss insolvency law provides for two primary insolvency regimes, the bankruptcy procedure (*Konkurs*) and the composition procedure (*Nachlassverfahren*). Bankruptcy procedure is merely designed to liquidate the debtor's assets and to distribute the proceeds of the liquidation to the debtor's creditors. The composition procedure is in general intended to restructure a debtor's critical financial situation and enable the debtor to continue its business on a reorganized financial basis. It can also be used to liquidate the debtor or the debtor's assets. Both insolvency regimes and avoidance actions are governed by Swiss law in accordance with the Swiss Federal Act on Debt Enforcement and Bankruptcy as amended from time to time (*Bundesgesetz vom 11. April 1889 über Schuldbetreibung und Konkurs (SchKG)*).

Swiss insolvency laws may make it difficult or impossible to effect a restructuring and the insolvency laws of Switzerland may not be as favorable to Noteholders' interests as creditors as the laws of other jurisdictions. In the event that the Swiss Guarantor experiences financial difficulty, it is however not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

In particular, under Swiss insolvency laws, certain arrangements or dispositions that are made during certain periods preceding the declaration of bankruptcy or the grant of a moratorium in connection with a composition proceeding may be challenged by the receiver in bankruptcy and certain creditors under the applicable rules of avoidance. The avoidance may relate to situations where: (i) an over-indebted company repays unmatured debts, settles a debt by unusual means of payment, or grants collateral for previously unsecured liabilities within one year before the opening of bankruptcy proceedings; (ii) a debtor disposes of assets for free or for inadequate consideration, for example, guarantees or security interests if not made on arm's length terms, within one year before the opening of bankruptcy proceedings; or (iii) the debtor carries out a transaction within five years before the opening of bankruptcy proceedings, with the intention, apparent to the other party, of disadvantaging his creditors or of favoring certain of his creditors to the disadvantage of others and in doing so damages the other creditors. Under certain circumstances these time periods may be suspended.

In the event such disputed transactions are successfully avoided, creditors (such as Noteholders) are under an obligation to repay the amounts received. In the case of such avoidance of a Guarantee granted by a Swiss Guarantor, the amount obtained by the Noteholders under the guarantee that is avoided would have to be repaid by the Noteholders. The Noteholders who have restituted the avoided amount paid to them regain their original claim against the Swiss Guarantor and are entitled to list their claim in the schedule of claims in their respective rank and priority. The Swiss principles on avoidance may therefore limit the Noteholders' ability to recover payments due on the Guarantees.

Pursuant to Swiss insolvency laws, a Noteholder's ability to receive payment under the Notes may be more limited than would be the case under other non-Swiss bankruptcy laws.

No assurance can be given that the Notes will be listed or that, once listed, the listings will be maintained or that such listings will satisfy the listing requirement of Article 32(8) of Law Decree No. 83 of June 22, 2012 and Decree 239.

No assurance can be given that the Notes will be listed or that such listings will satisfy the listing requirement of Article 32(8) of Law Decree No. 83 of June 22, 2012 and Decree 239 in order for the Notes to be eligible to benefit from the provisions of such legislation relating to deductibility of interest expense and the exemption from the requirement to apply withholding tax. In the event that the Notes are not listed, or that such listing requirement is not satisfied, the Issuer's ability to deduct interest expense related to the Notes could be adversely impacted. In addition, in such circumstances, payments of interest, premium and other income with respect to the Notes may be subject to a withholding tax currently at a rate of 26 per cent., and, subject to Condition 9.1 (*Payment without Withholding*) the Group would be required to pay additional amounts with respect to such withholding taxes such that holders receive a net amount that is not less than the amount that they would have received in the absence of such withholding. The Group cannot give any assurance that the Italian tax authorities will not interpret the applicable legislation to require that the listing be effective at closing and the Group cannot give any assurance that the listing can be achieved by the Issue Date. The possible limitation on the deductibility of interest expense and the imposition of withholding taxes with respect to payments on the Notes and the resulting obligation to pay additional amounts to holders of Notes could have a material adverse effect on its business, financial condition and results of operations.

Risks Relating to Markets Generally

Set out below is a brief description of the principal market risks that may be relevant in connection with an investment in the Notes.

There is no active trading market for the Notes and one cannot be assured.

Application has been made for the Notes to be listed on the Official List of the Irish Stock Exchange and admitted to trading on the regulated market of the Irish Stock Exchange. However, there can be no assurance that the Notes will be accepted for listing or, if listed, will remain listed. The Notes are new securities for which there is currently no market. There can be no assurance as to the liquidity of any market that may develop for the Notes, the ability of Noteholders to sell such Notes or the price at which the Notes may be sold. The liquidity of any market for the Notes will depend on the number of holders of the Notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions, and the Issuer's business, financial condition, results of operations, performance and prospects. In an illiquid market, the Noteholders might not be able to sell their Notes at any time at fair market prices.

There can be no assurance that an active trading market for the Notes will develop or, if one does develop, that it will be maintained. If an active trading market does not develop or cannot be maintained, this could have a material adverse effect on the liquidity and trading prices for the Notes.

Transfers of the Notes may be restricted, which may adversely affect the secondary market liquidity and/or trading prices of the Notes.

The ability to transfer the Notes may also be restricted by securities laws or regulations of certain countries or regulatory bodies. See "*Subscription and Sale*".

The Notes have not been, and will not be, registered under the Securities Act or any state securities laws or the securities laws of any other jurisdiction. Noteholders may not offer the Notes in the United States or for the account or benefit of a U.S. person, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. It is the obligation of each Noteholder to ensure that offers and sales of Notes comply with all applicable securities laws. In addition, transfers to certain persons in certain other jurisdictions may be limited by law, or may result in the imposition of penalties or liability. For a description of restrictions which may be applicable to transfers of the Notes, see "*Subscription and Sale*".

The Notes are not rated and credit ratings may not reflect all risks.

Neither the Notes nor the long-term debt of the Issuer is rated. To the extent that any credit rating agencies assign credit ratings to the Notes or any other senior unsecured indebtedness of the Issuer, such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating or the absence of a rating is not a recommendation to buy, sell or hold Notes and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisors to determine whether and to what extent (i) Notes are legal investments for such investor, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to the purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in Euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit ("**Investor's Currency**") other than Euro. These include the risk that exchange rates may change significantly (including changes due to devaluation of the euro or revaluation of the Investor's Currency) and the risk that

authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the euro would decrease (i) the Investor's Currency equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes, and (iii) the Investor's Currency-equivalent market value of the Notes.

In addition, government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

DOCUMENTS INCORPORATED BY REFERENCE

The following financial information is incorporated by reference in this Prospectus:

(i) the audited historical consolidated annual financial statements of the Group as of and for the years ended December 31, 2013 and December 31, 2012 prepared in accordance IFRS for official and statutory purposes in Italy, each of which can be found on the Issuer's website at: http://web.intercos.it/bond/files/Intercos%20SpA%20-%20Consolidated%20Annual%20Financial%20Statements%20December%2031,%202013%20ENG.pdf and http://web.intercos.it/bond/files/Intercos%20SpA%20-%20Consolidated%20Annual%20Financial%20Statements%20December%2031,%202012%20ENG.pdf respectively (see items 3 and 4 under "*Presentation of Financial Information – Financial Statements of the Group*");

(ii) the audited interim consolidated financial statements of the Group for the six months ended June 30, 2014, which include the unaudited figures as of and for the six months ended June 30, 2013 presented therein for comparative purposes, prepared in accordance with IFRS, which can be found on the Issuer's website at http://web.intercos.it/bond/files/Intercos%20SpA%20-%20Interim%20Consolidated%20Financial%20Statements%20June%2030,%202014%20ENG.pdf (see item 1 under "*Presentation of Financial Information – Financial Statements of the Group*");

(iii) the audited non-consolidated statutory annual financial statements of Intercos Europe as of and for the years ended December 31, 2013 and December 31, 2012 prepared in accordance with IFRS, which can be found on the Issuer's website at http://web.intercos.it/bond/files/Intercos%20Europe%20SpA%20-%20Financial%20Statement%20as%20of%2031%20December%202013%20ENG.pdf and http://web.intercos.it/bond/files/Intercos%20Europe%20SpA%20-%20Financial%20Statement%20as%20of%2031%20December%202012%20ENG.pdf respectively;

(iv) the audited non-consolidated statutory annual financial statements of CRB as of and for the years ended December 31, 2013 and December 31, 2012 prepared in accordance with Swiss GAAP, which can be found on the Issuer's website at http://web.intercos.it/bond/files/CRB%20SA%20-%20Financial%20Statement%20as%20of%2031%20December%202013%20ENG.pdf and http://web.intercos.it/bond/files/CRB%20SA%20-%20Financial%20Statement%20as%20of%2031%20December%202012%20ENG.pdf respectively,

in each case, together with the accompanying notes and auditors' reports. See "*Presentation of Financial Information*". For a summary of differences between IFRS and Swiss GAAP see "*Overview of certain differences between International Financial Reporting Standards and Swiss Generally Accepted Accounting Principles*".

Cross-Reference List

The tables below show where the information incorporated by reference in this Prospectus can be found in the above-mentioned documents.

Audited consolidated annual financial statements of the Group as of and for the year ended December 31,

	2013	2012
Independent Auditors' Report	Page 1	Pages 1-2
Consolidated Statements of Financial Position	Page 14	Page 16
Statements of Comprehensive Income	Page 15	Pages 17-18
Consolidated Statements of Cash Flows	Page 16	Page 19
Consolidated Statement of changes in Shareholders' Equity	Page 17	Page 20
Notes to the Consolidated Financial Statements	Pages 18-71	Pages 21-70

Audited interim consolidated financial statements of the Group as of and for the six-month period ended June 30, 2014

Independent Auditors' Report	Page 1
Interim Consolidated Statements of Financial Position	Page 17
Interim Consolidated Income Statement	Page 18
Interim Consolidated Statements of Cash Flow	Page 19
Interim Consolidated Statement of changes in Shareholders' Equity	Page 20
Notes to the Interim Consolidated Financial Statements	Pages 21-74

Audited non-consolidated statutory annual financial statements of Intercos Europe S.p.A. as of and for the year ended December 31,

	2013	2012
Independent/Statutory Auditors' Report	Page 2	Pages 1-2
Consolidated Statements of Financial Position	Page 3	Pages 3- 4
Statements of Comprehensive Income	Page 4	Page 5
Consolidated Statements of Cash Flows	Page 5	Page 6
Consolidated Statement of changes in Shareholders' Equity	Page 6	Page 7
Notes to the Consolidated Financial Statements	Page 7	Page 8

Audited non-consolidated statutory annual financial statements of CRB S.A. as of and for the year ended December 31,

	2013	2012
Statutory Auditors' Report	Page 1	Page 1

	2013	2012
Balance Sheet	Page 2	Page 2
Profit and Loss Statement	Page 3	Page 3

The page references set out in the above tables are references to the pages of each PDF document.

Information contained in the Annual Consolidated Financial Statements and in the above documents other than the information listed in the cross-reference list above is considered additional information and is not required by the relevant schedules of Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive.

The documents set out above are translated into English from (1) the original Italian, in the case of the financial statements of the Issuer and Intercos Europe (2) the original French, in the case of the financial statements of CRB. The Issuer and each Original Guarantor, as applicable, has accepted responsibility for the accuracy of such translations.

This Prospectus should be read and construed together with the information incorporated by reference herein. Copies of any document incorporated by reference in this Prospectus are available free of charge at the specified office of the Paying Agent, unless such documents have been modified or superseded. Such documents will also be available for viewing on the website of the Issuer at http://web.intercos.it/bond/.

CAPITALIZATION

The following table sets forth the Group's cash and cash equivalents, non-current financial liabilities and total capitalization as of June 30, 2014, on an actual basis.

The historical consolidated financial information has been derived from the Group's audited interim consolidated financial statements of June 30, 2014 and for the six months then ended, prepared by management in accordance with IFRS, incorporated by reference in this Prospectus.

Prospective investors should read this table in conjunction with the section entitled "*Use of Proceeds*" and the Group's consolidated financial statements as of June 30, 2014 and for the six months then ended.

(in €millions)	As of June 30, 2014
Cash and cash equivalents	**26.4**
Non-current financial liabilities—current portion	3.0
Non-current financial liabilities—non-current portion	166.3
Non-current financial liabilities—total (A)	**169.3**
Share capital	10.7
Share premium	66.0
Reserves and net income for the year	11.0
Total shareholders' equity (B)	**87.7**
Total capitalization (A+B)	**257.0**

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes which (subject to completion and amendment) will be endorsed on each Note in definitive form. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes in Global Form" below.

The issue of the €120,000,000 3.875 per cent. Senior Secured Notes due March 28, 2022 (the "**Notes**", which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 17 (*Further Issues*) and forming a single series therewith) of Intercos S.p.A. (the "**Issuer**") was authorized by the relevant corporate bodies of the Issuer on February 19, 2015. The Notes are irrevocably and unconditionally guaranteed by Intercos Europe S.p.A. ("**Intercos Europe**") and CRB S.A. ("**CRB**", and, together with Intercos Europe the "**Original Guarantors**", and, together with any Additional Guarantor (as defined below), the "**Guarantors**" and each a "**Guarantor**"). The guarantee of the Notes was authorised by the relevant corporate bodies of Intercos Europe and CRB on February 25, 2015 (as supplemented on March 6, 2015) and March 17, 2015, respectively. The Notes will be issued on March 27, 2015 (the "**Issue Date**"). The Notes are constituted by a trust deed dated March 27, 2015 (as amended or supplemented from time to time, the "**Trust Deed**") made between the Issuer, the Original Guarantors, The Law Debenture Trust Corporation p.l.c. as trustee (the "**Trustee**") and Banca IMI S.p.A. as security agent (the "**Security Agent**"). The Notes are also subject to an English law governed intercreditor agreement dated March 27, 2015, as amended and restated from time to time, entered into between, *inter alios*, the Issuer, the Original Guarantors, the Trustee and the Security Agent (the "**Intercreditor Agreement**").

These Conditions include summaries of the Trust Deed, the Intercreditor Agreement, the Security Documents (as defined below) and the Agency Agreement (as defined below), and are subject to the detailed provisions of and definitions in the Trust Deed and the Intercreditor Agreement. Copies of the Trust Deed, the Intercreditor Agreement, the Security Documents and the agency agreement dated March 27, 2015 (as amended or supplemented from time to time, the "**Agency Agreement**") made between the Issuer, the Original Guarantors, The Bank of New York Mellon as principal paying agent (the "**Principal Paying Agent**") and any other paying agents appointed thereunder from time to time (together with the Principal Paying Agent, the "**Paying Agents**") and the Trustee are available for inspection by prior appointment during normal business hours by holders of the Notes (the "**Noteholders**") and holders of the interest coupons appertaining to the Notes (the "**Couponholders**" and the "**Coupons**", respectively) at the registered office for the time being of the Trustee and at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Intercreditor Agreement and the Security Documents and those applicable to them of the Agency Agreement. References in these Conditions to the Trustee and any Paying Agent shall include any successor appointed under the Trust Deed or the Agency Agreement, as the case may be.

References to "€" or "Euro" are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty on the functioning of the European Union, as amended.

1 FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are in bearer form, serially numbered, in the denominations of €100,000 and integral multiples of €1,000 in excess thereof, up to and including €199,000, with Coupons attached on issue.

1.2 Title

Title to the Notes and the Coupons will pass by delivery.

1.3 Holder Absolute Owner

The Issuer, each Guarantor, any Paying Agent and the Trustee may (to the fullest extent permitted by applicable laws) deem and treat the bearer of any Note or Coupon as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership, trust or other interest therein or writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

2 GUARANTEES AND STATUS

2.1 Original Guarantors

Each Original Guarantor has unconditionally and irrevocably guaranteed (i) the due and punctual payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Agency Agreement, the Intercreditor Agreement, the Notes and the Coupons and (ii) the performance by the Issuer of all of its obligations under the Trust Deed, the Agency Agreement, the Intercreditor Agreement, the Notes and the Coupons.

2.2 Additional Guarantors

Subsequent to the Issue Date, if on any Reporting Date ((as defined in Condition 5 (*Compliance Certificate*)):

(a) any Subsidiary of the Issuer other than the Original Guarantors and the Excluded Subsidiaries has become a Material Subsidiary; or

(b) any Subsidiary of the Issuer is required to become an Additional Guarantor (as defined below) pursuant to Condition 2.7 (*Guarantor Coverage*); or

(c) substantially all of the assets and liabilities of the Issuer have been transferred to a Subsidiary of the Issuer in the context of a Permitted Reorganisation (as defined in Condition 11 (*Events of Default*)); or

(d) any entity which had been a Guarantor is required to be reinstated as such pursuant to Condition 2.6 (*Release of Guarantees*),

then the Issuer shall promptly notify the Trustee in writing and procure that within 30 Business Days (as defined in Condition 7 (*Payments*)) of such Reporting Date, any such Subsidiaries (in such capacity, each such Subsidiary an "**Additional Guarantor**") shall, subject to such proposed Additional Guarantor satisfying the Trustee's "Know Your Customer" requirements (provided however that if a Subsidiary, having taken all necessary and appropriate steps to comply with such "Know Your Customer" requirements, is not able to accede as a Guarantor by virtue of a failure to satisfy such "Know Your Customer" requirements, due to the absence of evidence or documents which are either not available or impossible to be obtained in its jurisdiction of incorporation, no breach of the Issuer's obligations under this Condition 2.2 (*Additional Guarantors*) shall be deemed to have occurred) by executing and delivering a supplemental trust deed to the Trustee, such supplemental trust deed substantially in the form attached to the Trust Deed, unconditionally and irrevocably guarantee on a joint and several basis (i) the due and punctual payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Intercreditor Agreement, the Agency Agreement, the Notes and the

Coupons and (ii) the performance by the Issuer of all of its obligations under the Trust Deed, the Intercreditor Agreement, the Agency Agreement, the Notes and the Coupons.

Notwithstanding the foregoing, the Issuer shall not be obliged to cause any such Subsidiary of the Issuer to provide such a Guarantee to the extent that such Guarantee by such Subsidiary would reasonably be expected to give rise to or result in (i) a violation of applicable law in any applicable jurisdiction which, in any case, cannot be prevented or otherwise avoided through measures reasonably available to the Issuer or such Subsidiary of the Issuer, or (ii) any personal civil and/or criminal liability for the officers, directors or shareholders of such Subsidiary or (iii) the costs of granting such Guarantee being disproportionate if compared to the benefits to the Noteholders (as determined in good faith by the Issuer, in its sole discretion), in the case of (i), (ii) and (iii), as certified in a certificate signed by two directors of the Issuer to the Trustee and upon which the Trustee shall rely, without liability to any person; provided that the Issuer will procure that the relevant Subsidiary of the Issuer becomes a Guarantor at such time as such matters referred to in (i) and/or (ii) and or (iii) above would no longer apply to the providing of the Guarantee or no longer would prohibit such Subsidiary from becoming a Guarantor (or prevent the Issuer from causing such Subsidiary to become a Guarantor).

In these Conditions:

"**Consolidated Assets**" means, in respect of any period, the consolidated assets of the Group as of the last day of that period determined in accordance with the then latest consolidated financial statements of the Issuer and in accordance with the 2013 Accounting Principles (as defined below);

"**Consolidated EBITDA**" means, in respect of any period, the consolidated operating profit of the Group before taxation (including the results from discontinued operations), before deducting any interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments whether paid, payable or capitalized by any member of the Group (calculated on a consolidated basis) in respect of that period and adding back:

(a) depreciation and amortisation;

(b) provisions for risks and other provisions;

(c) impairment charges; and

(d) any other exceptional or extraordinary items or expenses incurred during such period (*i.e.*, any non-recurring items including extraordinary or exceptional losses or revenues),

all as determined in accordance with the then latest consolidated financial statements of the Issuer and in accordance with the 2013 Accounting Principles;

For the purposes of calculating Consolidated EBITDA under these Conditions:

(i) if the Issuer or a Subsidiary of the Issuer has acquired any company, any business or any group of assets constituting an operating unit of a business (by purchase of Capital Stock or assets, merger, consolidation or otherwise) during any period (any such acquisition, a "**Purchase**"), the Consolidated EBITDA for such period will be calculated giving *pro forma* effect to the Purchase as if the Purchase had occurred on the first day of such period. Any necessary aggregation of results will include cost reduction synergies expected to be achieved as a result of the Purchase, provided that any such cost reduction synergies shall be certified by an independent auditor or consultant and approved by an Extraordinary Resolution of the Noteholders; and

(ii) if the Issuer or a Subsidiary of the Issuer has disposed of any company, any business or any group of assets constituting an operating unit of a business during any period (any such disposition, a "**Sale**"), the Consolidated EBITDA for such period will be calculated giving *pro forma* effect to the Sale as if the Sale had occurred on the first day of such period.

"**Consolidated Revenues**" means, in respect of any period, the consolidated revenues of the Group in respect of that period determined in accordance with the then latest consolidated financial statements of the Issuer and in accordance with the 2013 Accounting Principles;

"**EBITDA**" means, in respect of any entity for any period, the operating profit of such entity before taxation (including the results from discontinued operations), before deducting any interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments whether paid, payable or capitalized by such entity in respect of that period and adding back:

(a) depreciation and amortisation;

(b) provisions for risks and other provisions;

(c) impairment charges; and

(d) any other exceptional or extraordinary items or expenses incurred during such period (i.e., any non-recurring items including extraordinary or exceptional losses or revenues),

all as determined in accordance with the 2013 Accounting Principles;

"**Excluded Subsidiaries**" means Intercos America Inc., Interfila Cosmetics (Shanghai) Co. Ltd, Intercos Cosmetics Suzhou Co. Ltd, Technology Co. Ltd and Intercos do Brasil LTDA and each successor thereto;

"**Group**" means the Issuer and its Subsidiaries from time to time;

"**Material Subsidiary**" means, at any time, any Subsidiary of the Issuer which accounts for at least five (5) per cent. of the Consolidated EBITDA, Consolidated Revenues or the Consolidated Assets, as calculated by reference to the then latest annual or semi-annual consolidated financial statements of the Issuer and the then latest financial statements of the relevant Subsidiary (consolidated or non-consolidated, as the case may be); and

"**Subsidiary**" means *società controllata*, as defined in Article 2359, paragraph 1, numbers 1 and 2, of the Italian Civil Code.

2.3 Guarantees

Each Guarantor's obligations in respect of Conditions 2.1 (*Original Guarantors*) or, as the case may be, 2.2 (*Additional Guarantors*) above (each, a "**Guarantee**" and together the "**Guarantees**") shall be contained in the Trust Deed. The Trust Deed shall also provide that the Trustee shall, subject to such amendment of, or supplement to, the Trust Deed as the Trustee shall require and subject to the fulfilment of the conditions set out in the Trust Deed, but without the consent of the Noteholders or the Couponholders, consent to any such Guarantee being provided by each Additional Guarantor.

Each Guarantee will be on a joint and several basis with each other Guarantee, subject to any relevant enforceability exceptions, and to limitations on the amount of such Guarantee imposed by the laws of the relevant jurisdiction.

2.4 Status of the Notes

The Notes and the Coupons are direct, unconditional obligations of the Issuer which are secured in the manner provided in Condition 3 (*Transaction Security and Negative Pledge*) and rank and will rank *pari passu*, without any preference among themselves and at least *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

2.5 Status of the Guarantees

Each Guarantee constitutes direct, unconditional obligations of the relevant Guarantor and rank and will rank at least *pari passu* with all other outstanding unsecured and unsubordinated obligations of the relevant Guarantor, present and future, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

The obligations of Intercos Europe under its Guarantee will be secured by way of security interests granted pursuant to the Transaction Security, as described and defined in Condition 3 (*Transaction Security and Negative Pledge*). The obligations of CRB under its Guarantee will not be secured by any assets of the Group.

2.6 Release of Guarantees

A Guarantee of a Guarantor will be automatically and unconditionally released (and thereupon will terminate and be discharged and be of no further force and effect) and, in the case of (c) and (d) below, the Guarantees of all Guarantors will be automatically and unconditionally released (and thereupon will terminate and be discharged and be of no further force and effect):

(a) without prejudice to Condition 2.7 where the relevant Guarantor ceases to be a member of the Group in connection with any transaction described in the definition of Permitted Reorganisation, and the Issuer provides a certificate signed by two directors of the Issuer to the Trustee certifying that such is the case (upon which the Trustee shall rely without liability to any person); or

(b) in the case of the Original Guarantors, or any Subsidiary of the Issuer that after the Issue Date is required to Guarantee the Notes pursuant to Condition 2.2 (*Additional Guarantors*), where on any subsequent Reporting Date (i) such Guarantor is no longer a Material Subsidiary and (ii) the undertaking at Condition 2.7 (*Guarantor Coverage*) would be satisfied notwithstanding the release of such Guarantee and (iii) the Issuer elects by notice to the Trustee and the Noteholders to release such Guarantee accordingly, and (iv) the Issuer provides the Trustee with a certificate signed by two directors of the Issuer certifying that the undertaking in Condition 2.7 (*Guarantor Coverage*) would be satisfied on such Reporting Date notwithstanding such release (upon which the Trustee shall rely without liability to any person); and

(c) in the event that (1) there has been a Listing (as defined in Condition 3.2) and (2) the Consolidated Net Leverage Ratio (as defined in Condition 4) falls below or is equal to 2.50 : 1 for any twelve-month period ending on a Quarterly Reporting Date and (3) the Issuer provides the Trustee with a certificate signed by two directors of the Issuer certifying that the conditions listed in (1) and (2) of this Condition 2.6(c) are satisfied on such Quarterly Reporting Date (upon which the Trustee shall rely without liability to any person); or

(d) in the event that and for as long as (1) there has not been a Listing and (2) the Consolidated Net Leverage Ratio falls below or is equal to 2.25 : 1 for any twelve-month period ending on a Quarterly Reporting Date and (3) the Issuer provides the Trustee with a certificate signed by two directors of the Issuer certifying that the conditions listed in (1) and (2) of this Condition

2.6(d) are satisfied on such Quarterly Reporting Date (upon which the Trustee shall rely without liability to any person),

provided in each case that no Event of Default is continuing or would result from the release of such Guarantee(s) (which shall be confirmed in the relevant certificate referred to above), and provided further that in the case of paragraph (d) above all such Guarantees shall be reinstated in accordance with the procedures set out in Condition 2.2 (*Additional Guarantors*) in the event that for any subsequent Relevant Period the Consolidated Net Leverage Ratio is higher than 2.25 : 1, as evidenced in a certificate signed by two directors of the Issuer (upon which the Trustee shall rely without liability to any person).

In these Conditions:

"**Quarterly Reporting Date**" means March 31, June 30, September 30 and December 31 in any year.

2.7 Guarantor Coverage

Other than in the circumstances described under Condition 2.6(c) or (d), the Issuer shall, for so long as any Notes remain outstanding, procure that such additional Subsidiaries of the Issuer provide guarantees pursuant to Condition 2.2 (*Additional Guarantors*) as is necessary to ensure that the Issuer and the Guarantors, when taken together account for at least 70 per cent. of the Consolidated EBITDA and Consolidated Assets calculated at each Reporting Date, provided that in determining the Consolidated EBITDA and Consolidated Assets for the purposes of this Condition 2.7 the EBITDA and total assets (determined in accordance with the 2013 Accounting Principles) of Intercos America Inc. shall not be included, as evidenced in the relevant Compliance Certificate.

3 TRANSACTION SECURITY AND NEGATIVE PLEDGE

3.1 Transaction Security

The obligations of the Issuer under the Notes, the Trust Deed and the Intercreditor Agreement and the obligations of Intercos Europe under its Guarantee are secured in favor of (A) the Trustee for the benefit of itself and as trustee for the Noteholders (B) the Security Agent as *rappresentante* pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code and (C) the Noteholders as a class, (together the "**Secured Creditors**") as follows:

(i) by a pledge in respect of the Issuer's Pledged Shares pursuant to a pledge agreement (governed by Italian law) dated March 27, 2015 between *inter alios*, Dafe 3000 S.r.l., Dafe 4000 S.p.A, Dafe 5000 S.r.l., CP7 Beauty S.à r.l., the Security Agent and the Trustee (the "**Issuer Securities Pledge Agreement**"); and

(ii) by a pledge in respect of the Intercos Europe Pledged Shares pursuant to a pledge agreement (governed by Italian law) dated March 27, 2015 between *inter alios*, the Issuer, the Security Agent and the Trustee (the "**Intercos Europe Securities Pledge Agreement**").

"**Capital Increase**" means an increase in the share capital of the Issuer funded by (i) the proceeds of a subscription for Common Stock of the Issuer or any other form of contribution in the equity or in the reserves of the Issuer and/or (ii) the proceeds of any shareholders' loans, to the extent such loans constitute Subordinated Indebtedness;

"**Issuer's Pledged Shares**" means the shares representing 99.61 per cent. of the share capital of the Issuer, provided that any new shares issued by the Issuer after the Issue Date pursuant to a Capital Increase shall not be subject to the Issuer Securities Pledge Agreement to the extent that (i) upon completion of such Capital Increase the Consolidated Net Leverage Ratio is less than or equal to 2.25 :

1, where the Consolidated Net Leverage Ratio shall be calculated relating to the Relevant Period referred to in the latest Compliance Certificate, determined on a pro forma basis, assuming for this purpose, that such Capital Increase had occurred, and the net proceeds thereof applied, on the first day of the applicable Relevant Period, and including the EBITDA and Net Debt for the Relevant Period of any target company acquired by the Issuer in connection with such Capital Increase and (ii) no Change of Control shall occur as a result of such Capital Increase and (iii) shares representing more than 50 per cent. of the share capital of the Issuer remain subject to the Issuer Securities Pledge Agreement, all as certified in the most recent Compliance Certificate.

"**Intercos Europe Pledged Shares**" means all the shares representing 100 per cent. of the share capital of Intercos Europe.

For the avoidance of doubt, nothing in these Conditions or any Transaction Document shall affect or prejudice the payment of any liabilities incurred by the Trustee in its personal capacity or the remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof and in such capacity the Trustee shall rank as an unsubordinated and secured creditor of the Issuer as set out in and pursuant to the Intercreditor Agreement.

The property specified in this Condition 3.1 (i) and (ii), together with any other property or assets held by and/or charged in favor of and/or assigned to the Secured Creditors or the Trustee pursuant to the Trust Deed and the other Transaction Documents and/or any deed or document supplemental thereto is referred to in these Conditions as the "**Secured Property**", and the security created thereby is referred to as the "**Transaction Security**".

The Secured Property also secures the Issuer's obligations under the Bank Facilities Agreement and may in future secure the Issuer's obligations in respect of any Indebtedness pursuant to the uncommitted acquisition facilities (contemplated by the Bank Facilities Agreement as at the Issue Date) up to a total aggregate principal amount of Euro 40 million plus interest.

"**Security Documents**" means the Issuer Securities Pledge Agreement and the Intercos Europe Securities Pledge Agreement.

"**Transaction Documents**" means the Trust Deed, the Agency Agreement, the Intercreditor Agreement and the Security Documents.

3.2 Release of Security

(a) *Release of Security on Listing*

In the event of the admission to listing on the relevant stock exchange of the Common Stock of the Issuer (the "**Listing**") at any time after the Issue Date, the security created by the Issuer Securities Pledge Agreement shall be released immediately by the Security Agent (acting for itself, as "*rappresentante*" pursuant to Article 2414-bis of the Italian Civil Code and on behalf of the Secured Creditors) prior to such Listing to the extent necessary for the Listing, *provided that* no later than 30 days prior to such release the Issuer has provided the Trustee with a certificate (upon which the Trustee shall rely without liability to any person) setting out (i) a representation from the Issuer of its intention to apply for the Listing, (ii) an undertaking from the Permitted Holder(s) that they will procure that all shares subject to the Issuer Securities Pledge Agreement at the time of such release shall be pledged in favor of the Noteholders on substantially the same terms as the Issuer Securities Pledge Agreement in the event that the Listing does not occur within 90 days of such release), each such release and retaking of the pledge to be at the cost and expense of the Issuer. It is further understood that the Common

Stock of the Issuer issued for the purposes of the Listing shall not be subject to the Issuer Securities Pledge Agreement or any other security document.

(b) *Further Releases of Security*

The Issuer and the Guarantors will be entitled to obtain an immediate release of the Transaction Security (to the extent provided below) under any one or more of the following circumstances:

(i) in connection with any transaction described under clause (a) of the definition of Permitted Reorganisation to a Person that is not (either before or after giving effect to such transaction) the Issuer or any Subsidiary of the Issuer, as evidenced in a certificate signed by two directors of the Issuer (upon which the Trustee shall rely without liability to any person); or

(ii) in the event that (1) it is necessary in order to effect any acquisition by the Issuer, or any joint venture to which the Issuer is party (2) the Consolidated Net Leverage Ratio for two twelve-month periods ending on two consecutive Quarterly Reporting Dates immediately preceding such acquisition or joint venture agreement is lower than or equal to 3.00 : 1 and (3) the Issuer provides the Trustee with a certificate signed by two directors of the Issuer certifying that the conditions listed in (1) and (2) of this Condition 3.2(b)(ii) are satisfied on such Quarterly Reporting Dates (upon which the Trustee shall rely without liability to any person), up to 20 per cent. of the Issuer's Pledged Shares and the Intercos Europe Pledged Shares may be released from the Issuer Securities Pledge Agreement and the Intercos Europe Securities Pledge Agreement, respectively;

(iii) in the event that (1) there has not been a Listing and (2) the Consolidated Net Leverage Ratio falls below or is equal to 2.25 : 1 for two twelve-month periods ending on two consecutive Quarterly Reporting Dates and (3) the Issuer provides the Trustee with a certificate signed by two directors of the Issuer certifying that the conditions listed in (1) and (2) of this Condition 3.2(b)(iii) are satisfied on such Quarterly Reporting Dates (upon which the Trustee shall rely without liability to any person), all of the Issuer's Pledged Shares and the Intercos Europe Pledged Shares may be released from the Issuer Securities Pledge Agreement and the Intercos Europe Securities Pledge Agreement, respectively; and

(iv) in the event that (1) there has been a Listing and (2) the Consolidated Net Leverage Ratio falls below or is equal to 2.50 : 1 for two twelve-month periods ending on two consecutive Quarterly Reporting Dates and (3) the Issuer provides the Trustee with a certificate signed by two directors of the Issuer certifying that the conditions listed in (1) and (2) of this Condition 3.2(b)(iv) are satisfied on such Quarterly Reporting Dates (upon which the Trustee shall rely without liability to any person), all of the Intercos Europe Pledged Shares may be released from the Intercos Europe Securities Pledge Agreement,

provided, in each case, that such Transaction Security is also (or has already been) released under the Bank Facilities Agreement as certified in the relevant certificate provided to the Trustee pursuant to this Condition 3.2(b) (upon which the Trustee shall rely without liability to any person).

3.3 Negative Pledge

So long as any of the Notes or Coupons remain outstanding (as defined in the Trust Deed), save with the prior written consent of the Trustee or as approved by an Extraordinary Resolution (as defined in

the Trust Deed) of the Noteholders or as expressly contemplated or permitted in any of the Transaction Documents, neither the Issuer nor any Guarantor will, and will ensure that no other members of their Group will create, or have outstanding, any Security Interest (other than a Permitted Security Interest), upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Indebtedness or to secure any guarantee or indemnity in respect of any Indebtedness, without at the same time or prior thereto according to the Notes the same security as is created or subsisting to secure any such Indebtedness, guarantee or indemnity or such other security as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Noteholders or (ii) shall be approved by an Extraordinary Resolution of the Noteholders.

In these Conditions:

"**2013 Accounting Principles**" means IFRS, as applied by the Issuer in the audited consolidated financial statements of the Issuer for the financial year ended December 31, 2013.

"**Accounting Principles**" means IFRS or generally accepted accounting principles in Italy.

"**Bank Facilities Agreement**" means the facilities agreement dated March 24, 2015, between, *inter alios*, the Issuer, the Original Guarantors, Banca IMI S.p.A. and Unicredit S.p.A.

"**Capital Stock**" means:

(i) with respect to any Person that is a corporation, any and all shares, interests, participations or other equivalents (however designated and whether or not voting) of corporate stock, including each class of Common Stock and Preferred Stock of such Person, and all options, warrants or other rights to purchase or acquire any of the foregoing; and

(ii) with respect to any Person that is not a corporation, any and all partnership, membership or other equity interests of such Person, and all options, warrants or other rights to purchase or acquire any of the foregoing;

"**Common Stock**" of any Person means any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock, whether outstanding on the Issue Date or issued after the Issue Date, and includes, without limitation, all series and classes of such common stock;

"**Disqualified Stock**" means, with respect to any Person, any Capital Stock of such Person which, by its terms (or by the terms of any security into which it is convertible or for which it is redeemable or exchangeable), or upon the happening of any event: (1) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise (other than as a result of a change of control; *provided that* the relevant change of control provisions, taken as a whole, are no more favorable in any material respect to holders of such Capital Stock than Condition 8.3 (*Redemption at the Option of the Holders upon a Change of Control*) and any purchase requirement triggered thereby may not become operative until compliance with Condition 8.3 (*Redemption at the Option of the Holders upon a Change of Control*) (including the redemption of any Notes pursuant to Condition 8.3 (*Redemption at the Option of the Holders upon a Change of Control*)), (2) is convertible or exchangeable for Indebtedness or Disqualified Stock of such Person or (3) is redeemable at the option of the holder thereof, in whole or in part (other than solely as a result of a change of control), in each case prior to 91 days after the earlier of the maturity date of the Notes or the date the Notes are no longer outstanding; provided, however, that only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date shall be deemed to be Disqualified Stock;

"**Hedging Obligations**" means, with respect to any Person, the obligations of such Person under currency exchange or interest rate swap, cap and collar agreements, and other similar or like agreements or arrangements;

"**IFRS**" means International Financial Reporting Standards, as adopted by the European Union;

"**Indebtedness**" means with respect to any Person, without duplication,

(i) the principal of indebtedness of such Person for borrowed money;

(ii) the principal of indebtedness of such Person evidenced by bonds, debentures, notes or other similar instruments;

(iii) the principal component of obligations representing the deferred purchase price of property or services due more than one year after such property is acquired or such services are completed (but excluding trade accounts payable and other accrued liabilities arising in the ordinary course of business that are not overdue by 180 days or more or are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted);

(iv) obligations representing reimbursement obligations in respect of any letter of credit, banker's acceptance or similar credit transaction (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of incurrence);

(v) all Receivables Financing other than any Permitted Receivables Financing;

(vi) the mark-to-market value of any Hedging Obligations of such Person;

(vii) the principal of indebtedness of such person arising from leases or hire purchase contracts (relating to real estate property, equipment, machinery or other property but excluding those relating to either licenses or computer equipment) which would, in accordance with applicable law and Accounting Principles, be treated as finance or capital leases;

(viii) (without double counting) guarantees of the principal component of Indebtedness referred to in paragraphs (i) through (vii) above;

(ix) (without double counting) the principal component of indebtedness of the type referred to in paragraphs (i) through (viii) which are secured by any lien on any property or asset of such Person, the amount of such obligation being deemed to be the lesser of the Fair Market Value (as defined below) of such property or asset or the amount of the obligation so secured; and

(x) the principal component of obligations or liquidation preference with respect to all Preferred Stock or Disqualified Stock issued by any Subsidiary of the Issuer (but excluding in each case any accrued dividends) to, and held by, third parties which are not members of the Group;

"**Permitted Receivables Financing**" means Receivables Financing incurred on the sale of receivables at arm's length on a non-recourse basis up to a total aggregate amount of Euro 7.5 million;

"**Permitted Security Interest**" means:

(i) any Security Interest arising by operation of law;

(ii) any Security Interest existing on the Issue Date and any extension of such Security Interest in favor of one or more lenders in order to secure any uncommitted acquisition facilities (contemplated by the Bank Facilities Agreement as at the Issue Date) *provided that* at no time shall the aggregate unpaid principal amount of Indebtedness secured by any such extension exceed a total aggregate amount of Euro 40 million;

(iii) any Security Interest to secure Indebtedness over or with respect to any present or future assets, receivables, remittances or payment rights of the Issuer or any of its Subsidiaries (the "**Charged Assets**") which is created pursuant to any leasing, factoring, securitisation or like arrangements whereby all or substantially all the payment obligations in respect of such Indebtedness are to be discharged solely from the Charged Assets, where such Indebtedness is in respect of any Securitisation Financing or does not exceed an aggregate amount of 10 per cent. of Consolidated Assets;

(iv) any Security Interest over or affecting any asset acquired by any member of the Group after the Issue Date if the Security Interest was not created in contemplation of the acquisition of that asset by a member of the Group;

(v) any Security Interest granted in relation to the Notes issued on the Issue Date (excluding any further notes issued pursuant to Condition 17 (*Further Issues*)) and the Bank Facilities Agreement; and

(vi) any Security Interest created in substitution of or supplementing any Security Interest permitted under paragraphs (ii) or (iv) or (v) above over the same or substituted assets *provided that* in respect of any Security Interest other than the Special Privileges Security (1) the principal amount secured by the substitute Security Interest does not exceed the principal amount secured by the initial Security Interest, (2) in the case of substituted assets, the market value of the substituted assets as at the time of substitution does not exceed the market value of the assets replaced at the time of creation of the Security Interest, as determined and confirmed in writing by the Issuer (acting reasonably), and (3) in the case of a Security Interest being supplemented, such supplementing was provided for under the relevant contractual arrangements at the time of creation of the Security Interest and is required to comply with such contractual arrangements or is necessary to reflect an amendment to the economic financial plan of the relevant project

(vii) any Security Interest securing permitted Hedging Obligations, including rights of offset and set-off;

(viii) any Security Interest arising from bankers' liens, rights of setoff or similar rights and remedies as to deposit accounts;

(ix) any Security Interest to secure a Subsidized Loan;

(x) any bails, deposits, advances, down payments or similar Security Interests; and

(xi) any Security Interests for taxes, assessments or governmental charges or claims that (a) are not yet due and payable, or (b) are being contested in good faith by appropriate proceedings and for which adequate reserves have been made,

provided that, at no time shall the aggregate unpaid principal amount of Indebtedness secured by all such Security Interests permitted by paragraphs (i) through (xi) (excluding Indebtedness of €120,000,000 in principal amount of the Notes, €50,000,000 under the Term Loan Facility and €30,000,000 under the Revolving Credit Facility) exceed 23 per cent. of Consolidated Assets;

"**Person(s)**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Preferred Stock**" of any Person means any Capital Stock of such Person that has preferential rights to any other Capital Stock of such Person with respect to dividends or redemptions or upon liquidation;

"**Receivables Financings**" means factoring, securitisations of receivables or any other receivables financing (including, without limitation, through the sale of receivables in a factoring arrangement or through the sale of receivables to lenders or to special purpose entities formed to borrow from such lenders against such receivables), whether or not with recourse to the Issuer or any of its Subsidiaries, but in each case only to the extent that such factoring, securitisation or financing would either be treated as financial payables under Accounting Principles or as indebtedness under IFRS as of the Issue Date;

"**Revolving Credit Facility**" means the committed revolving credit facility available pursuant to the Bank Facilities Agreement;

"**Security Interest**" means, without duplication, a mortgage, charge, pledge, lien or other security interest or other preferential interest or arrangement having a similar economic effect;

"**Special Privileges Security**" means any deed creating a *privilegio speciale* pursuant to article 46 of Italian legislative decree No. 385 of 1993 (as subsequently modified);

"**Subsidized Loans**" means (i) the loan agreement dated December 12, 2000 between the *Fondo per l'Innovazione Tecnologica* (Fund for Technological Innovation) and Intercos for a principal amount of €618,201; (ii) the loan agreement dated September 19, 2002 between the *Fondo per l'Innovazione Tecnologica* (Fund for Technological Innovation) and Intercos for a principal amount of €1,054,362; (iii) the loan agreement dated May 22, 2000 between the *Fondo per l'Innovazione Tecnologica* (Fund for Technological Innovation) and Intercos Europe for a principal amount of €741,116; and (iv) any other subsidized loan borrowed in compliance with Condition 4.1 (*Limitation on Indebtedness*);

"**Term Loan Facility**" means the term loan available pursuant to the Bank Facilities Agreement.

4 COVENANTS

4.1 Limitation on Indebtedness

(a) So long as any of the Notes or Coupons remain outstanding (as defined in the Trust Deed), the Issuer shall not, and shall procure that none of its Subsidiaries will, incur (where to "**incur**" or, as applicable, an "**incurrence**" shall mean to directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise) any additional Indebtedness (other than Permitted Indebtedness) if, on the date of the incurrence of such additional Indebtedness, either:

(i) the Net Interest Coverage Ratio relating to the Relevant Period referred to in the latest Compliance Certificate is less than the threshold specified in the table below opposite the relevant financial year in which the last day of such Relevant Period falls, determined on a pro forma basis, assuming for this purpose, that such additional Indebtedness, together with any other Indebtedness incurred or discharged (by way of repayment, redemption or otherwise) since the end of such Relevant Period, had been incurred or discharged, as applicable, and, in each case, the net proceeds thereof applied, on the first day of the applicable Relevant Period (including, for the avoidance of doubt, any Indebtedness to be promptly discharged with the proceeds of such additional Indebtedness):

Year ended December 31,	Ratio threshold
2015	5.50 : 1
2016	6.00 : 1

2017	6.50 : 1
2018	6.75 : 1
2019	6.75 : 1
2020	6.75 : 1
2021	6.75 : 1

or

(ii) the Consolidated Net Leverage Ratio relating to the Relevant Period referred to in the latest Compliance Certificate is greater than the threshold specified in the table below opposite the relevant financial year in which the last day of such Relevant Period falls, determined on a pro forma basis, assuming for this purpose, that such additional Indebtedness, together with any other Indebtedness incurred or discharged (by way of repayment, redemption or otherwise) since the end of such Relevant Period, had been incurred or discharged, as applicable, and, in each case, the net proceeds thereof applied, on the first day of the applicable Relevant Period (including, for the avoidance of doubt, any Indebtedness to be promptly discharged with the proceeds of such additional Indebtedness):

Year ended December 31,	Ratio threshold
2015	3.80 : 1
2016	3.20 : 1
2017	3.00 : 1
2018	3.00 : 1
2019	3.00 : 1
2020	3.00 : 1
2021	3.00 : 1

(b) Notwithstanding the foregoing, no Subsidiary of the Issuer that is not a Guarantor shall be permitted to incur any Indebtedness if, immediately after giving effect to such incurrence, the aggregate principal amount of Indebtedness incurred by all Subsidiaries of the Issuer that are not Guarantors exceeds €61 million (excluding, for purposes of calculating such amount any Indebtedness incurred by any such Subsidiary in accordance with clause (v) of the definition of Permitted Indebtedness).

4.2 Restricted Payments

The Issuer will not, and will not cause or permit any of its Subsidiaries to, directly or indirectly:

(a) declare or pay any dividend or make any distribution (other than dividends or distributions payable solely in the form of its Capital Stock) on or in respect of its Capital Stock to holders of such Capital Stock;

(b) purchase, redeem or otherwise acquire or retire for value any of its Capital Stock;

(c) make any principal payment on, purchase, defease, redeem, prepay, decrease or otherwise acquire or retire for value, prior to any scheduled final maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness;

(d) (each of the foregoing actions set forth in paragraphs (a), (b) and (c) being referred to as a "**Restricted Payment**"), if at the time of such Restricted Payment or immediately after giving effect thereto:

(i) a Default or an Event of Default shall have occurred and be continuing; or

(ii) the Issuer is not able to incur at least €1.00 of additional Indebtedness (other than Permitted Indebtedness) in compliance with Condition 4.1 (*Limitation on Indebtedness*); or

(iii) the aggregate amount of Restricted Payments (including such proposed Restricted Payment) made subsequent to the Issue Date (the amount expended for such purposes, if other than in cash, being the fair market value of such property as determined in good faith by the Board of Directors of the Issuer) shall exceed the sum of:

(A) 50 per cent. of the cumulative Consolidated Net Income (or if cumulative Consolidated Net Income shall be a loss, minus 100 per cent. of such loss) of the Issuer earned subsequent to December 31, 2014 and on or prior to the date the Restricted Payment occurs (the "**Reference Date**") (treating such period as a single accounting period); plus

(B) 100 per cent. of the aggregate net cash proceeds and of the fair market value of any marketable securities, in each case, received by the Issuer from any Person (other than a Subsidiary of the Issuer) from the issuance and sale subsequent to the Issue Date of (1) Capital Stock of the Issuer, (2) debt securities of the Issuer or its Subsidiaries that have been converted into Capital Stock of the Issuer and (3) shareholders' loans, to the extent such loans constitute Subordinated Indebtedness,

provided that (iii) above shall not apply in the event that the Consolidated Net Leverage Ratio reported in the latest Compliance Certificate is less than or equal to 2.50 : 1.

Notwithstanding the foregoing, the provisions set forth in the immediately preceding paragraph do not prohibit:

(a) the payment of any dividend within 90 days after the date of declaration of such dividend if the dividend would have been permitted on the date of declaration;

(b) the redemption, repurchase, retirement, defeasance or other acquisition of any shares of Capital Stock or Subordinated Indebtedness of the Issuer, either (i) solely in exchange for shares of Capital Stock of the Issuer or (ii) through the application of net proceeds of a substantially concurrent sale for cash (other than to a Subsidiary of the Issuer) of shares of Capital Stock of the Issuer or equity contributions to the Issuer or (iii) through an issuance of Subordinated Indebtedness of the Issuer or (iv) a combination of paragraphs (i), (ii) and (iii);

(c) the declaration and/or payment of any dividend or distribution by a Subsidiary of the Issuer to the Issuer or another Subsidiary of the Issuer to the holders of its Capital Stock on a pro rata basis;

(d) repurchases of Capital Stock deemed to occur upon exercise of stock options or warrants if such Capital Stock represents a portion of the exercise price of such options or warrants; and

(e) additional Restricted Payments in an aggregate amount not to exceed €37 million.

In determining the aggregate amount of Restricted Payments made subsequent to the Issue Date in accordance with paragraph (iii) of the first paragraph of this covenant, amounts expended pursuant to paragraph (e) (but not, for the avoidance of doubt, paragraphs (a) through (d)) shall be included in such calculation.

In these Conditions:

"**Acquired Indebtedness**" means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Subsidiary of the Issuer or at the time it merges or consolidates with or into the Issuer or any of its Subsidiaries or assumed in connection with the acquisition of assets from such Person and in each case not incurred by such Person in connection with, or in anticipation or contemplation of, such Person becoming a Subsidiary of the Issuer or such acquisition, merger or consolidation;

"**Compliance Certificate**" means the compliance certificate to be delivered on each Reporting Date (as defined in Condition 5 (*Compliance Certificate*)) and signed by two duly Authorised Signatories (as defined in the Trust Deed) of the Issuer;

"**Consolidated Net Income**" means, in respect of any period, the consolidated net income of the Group in respect of that period determined in accordance with the then latest consolidated financial statements of the Issuer and in accordance with the 2013 Accounting Principles;

"**Consolidated Net Leverage Ratio**" means, for any period, the ratio of the Reported Net Debt of the Group for such period to the Consolidated EBITDA of the Group for such period;

"**Credit Agreements**" means any agreement or agreements between the Issuer or one or more Subsidiaries of the Issuer and a financial institution or institutions providing for the making of loans, on a term or revolving basis, the issuance of letters of credit, commercial paper facilities, notes (including, without limitation, securities), receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables), in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced (including by means of a sale of debt securities) in whole or in part from time to time in one or more agreements or instruments (in each case with the same or new lenders or institutional investors), including any agreement or instrument extending the maturity thereof or otherwise restructuring all or any portion of the Indebtedness thereunder or increasing the amount loaned or issued thereunder or altering the maturity thereof, and shall for the avoidance of doubt include the Permitted Indebtedness;

"**Default**" means an event or condition the occurrence of which is, or with the expiry of any grace period or the giving of notice or both would be, an Event of Default;

"**Determination Date**" means each of June 30 and December 31 in each year;

"**Equity Interests**" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock);

"**Event of Default**" has the meaning given in Condition 11 (*Events of Default*);

"**Net Debt**" means, in respect of any entity for any period, the gross debt of such entity less cash and other liquid assets of such entity less Hedging Obligations as of the last day of that period determined in accordance with the 2013 Accounting Principles;

"**Net Interest Coverage Ratio**" means, for any period, the ratio of the Consolidated EBITDA of the Group for such period to the Net Interest Expense of the Group for such period;

"**Net Interest Expense**" means, for any period, the consolidated interest expense of the Group less consolidated interest income of the Group determined in accordance with the then latest consolidated financial statements of the Issuer and in accordance with the 2013 Accounting Principles;

"**Permitted Indebtedness**" means:

(i) Indebtedness under the Notes and the Guarantees, *provided that* this shall not include any Notes issued after the Issue Date pursuant to Condition 17 (*Further Issues*);

(ii) Indebtedness outstanding on the Issue Date after giving effect to the use of proceeds of the Notes;

(iii) Indebtedness (drawn or undrawn) under the Revolving Credit Facility up to a total aggregate amount of €30 million;

(iv) Indebtedness of the Issuer or any of its Subsidiaries incurred pursuant to one or more Credit Agreements in an aggregate principal amount at any time outstanding not to exceed €40 million;

(v) Indebtedness of the Issuer to a Subsidiary of the Issuer or Indebtedness of a Subsidiary of the Issuer to the Issuer or to another Subsidiary of the Issuer for so long as such Indebtedness is held by a Subsidiary of the Issuer or the Issuer; *provided* that any Indebtedness of the Issuer or a Guarantor to any Subsidiary of the Issuer that is not a Guarantor is subordinated in accordance with the Intercreditor Agreement to the Issuer's obligations under the Notes or the Guarantor's obligations under its Guarantee, as applicable;

(vi) Indebtedness of the Issuer or any of its Subsidiaries in respect of performance bonds, performance and completion guarantees, bankers' acceptances, workers' compensation claims, surety or appeal bonds, payment obligations in connection with self-insurance or similar obligations, accrued and unpaid tax liabilities and bank overdrafts (and letters of credit in respect thereof to the extent undrawn, or if and to the extent drawn, is honoured in accordance with its terms and, if to be reimbursed, is reimbursed no later than the 30th Business Day following receipt of a demand for reimbursement) in the ordinary course of business;

(vii) Refinancing Indebtedness;

(viii) Indebtedness of the Issuer and its Subsidiaries in respect of any customary cash management, cash pooling or netting or setting off arrangements;

(ix) Acquired Indebtedness of any Person outstanding on the date on which such Person becomes a Subsidiary of the Issuer or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any of its Subsidiaries provided, however, that at the time of the acquisition or other transaction pursuant to which such Indebtedness was deemed to be incurred, the Issuer would have been able to incur €1.00 of additional Indebtedness pursuant to Condition 4.1 (*Limitation on Indebtedness*) after giving effect to the incurrence of such Indebtedness pursuant to this paragraph;

(x) Indebtedness incurred in any Securitisation Financing;

(xi) Subordinated Indebtedness;

(xii) Hedging Obligations of the Issuer or any of its Subsidiaries entered into for non-speculative purposes and in the ordinary course of business to be calculated at the mark to market value; and

(xiii) any Indebtedness of the Issuer and/or its Subsidiaries (other than the Indebtedness referred to in items (i) to (xii) above) up to an aggregate principal amount equal to 2.5 per cent. of Consolidated Assets.

In accordance with the definition of Indebtedness, (i) to (xiii) above shall include any guarantees of the principal component of Permitted Indebtedness (without double counting).

"**Refinance**" means, in respect of any security or Indebtedness, to refinance, extend, renew, refund, repay, prepay, redeem, defease or retire, or to issue a security or Indebtedness in exchange or replacement for, such security or Indebtedness in whole or in part. "**Refinanced**" and "**Refinancing**" shall have correlative meanings;

"**Refinancing Indebtedness**" means any Refinancing by the Issuer or any Subsidiary of the Issuer of Indebtedness (including drawn bilateral facilities) incurred in accordance with Condition 4.1 (*Limitation on Indebtedness*) and paragraphs (i) to (xiii) of the definition of "**Permitted Indebtedness**", in each case that does not:

(i) result in an increase in the aggregate principal amount of Indebtedness of such Person as of the date of such proposed Refinancing (plus the amount of any premium or accrued interest required to be paid under the terms of the instrument governing such Indebtedness and plus the amount of reasonable fees and expenses incurred by the Issuer in connection with such Refinancing); or

(ii) create Indebtedness with: (a) a Weighted Average Life to Maturity that is less than the Weighted Average Life to Maturity of the Indebtedness being Refinanced; or (b) a final maturity earlier than the final maturity of the Indebtedness being Refinanced; *provided that* (x) if such Indebtedness being Refinanced is Indebtedness solely of a Guarantor, then such Refinancing Indebtedness shall be Indebtedness solely of one or more of the Guarantors and (y) if such Indebtedness being Refinanced is subordinate or junior to the Notes or any Guarantee, then such Refinancing Indebtedness shall be subordinate to the Notes or such Guarantee, as the case may be, at least to the same extent and in the same manner as the Indebtedness being Refinanced;

"**Relevant Period**" means a 12-month period ending on a Determination Date;

"**Reported Net Debt**" means, for any period, the consolidated gross debt of the Group less cash and other liquid assets of the Group less Hedging Obligations as of the last day of that period in accordance with the then latest consolidated financial statements of the Issuer and in accordance with the 2013 Accounting Principles and for the purposes of calculating Reported Net Debt under these Conditions:

(i) if the Issuer or a Subsidiary of the Issuer has made a Purchase during any period, the Reported Net Debt for such period will be calculated giving pro forma effect to the Purchase as if the Purchase had occurred on the first day of such period; and

(ii) if the Issuer or a Subsidiary of the Issuer has made a Sale during any period, the Reported Net Debt for such period will be calculated giving pro forma effect to the Sale as if the Sale had occurred on the first day of such period;

"**Securitisation Financing**" means any financing pursuant to which the Issuer or any of its Subsidiaries may sell, convey or otherwise transfer to any other Person or grant a security interest in, any accounts receivable (and related assets) in any aggregate principal amount equivalent to the fair market value of such accounts receivable (and related assets) of the Issuer or any of its Subsidiaries; *provided that* (a) the covenants, events of default and other provisions applicable to such financing shall be on market terms (as determined in good faith in the reasonable judgment of a member of senior management of the Issuer or in good faith by a responsible financial or accounting officer of the Issuer) at the time such financing is entered into, (b) the interest rate applicable to such financing shall be a market interest rate (as determined in good faith in the reasonable judgment of a member of senior management of the Issuer or in good faith by a responsible financial or accounting officer of the Issuer) at the time such financing is entered into and (c) such financing shall be non-recourse (as determined in good faith in the reasonable judgment of a member of senior management or in good faith by a responsible financial or accounting officer of the Issuer) to the Issuer or any of its Subsidiaries except to a limited extent customary (as determined in good faith in the reasonable judgment of a member of senior management or by a responsible financial or accounting officer of the Issuer in good faith) for such transactions;

"**Subordinated Indebtedness**" means funds provided to the Issuer or any of its Subsidiaries by any holder of Capital Stock of the Issuer or any of its Subsidiaries in exchange for or pursuant to any security, instrument or agreement other than Capital Stock that is subordinated or junior in right of payment to the Notes or any Guarantee, as the case may be, provided that such Subordinated Indebtedness:

(i) does not mature or require any amortisation or other payment of principal prior to the first anniversary of the maturity of the Notes (other than through conversion or exchange of any such security or instrument for Equity Interests of the Issuer or such Subsidiary or for any other security or instrument meeting the requirements of the definition);

(ii) does not require the payment of cash interest prior to the first anniversary of the maturity of the Notes;

(iii) contains no right to declare a default or event of default or take any enforcement action prior to the first anniversary of the maturity of the Notes;

(iv) is not secured by any asset of the Issuer or a Subsidiary;

(v) is subordinated in right of payment to the prior payment in full in cash of the Notes in the event of any default, bankruptcy, reorganisation, liquidation, winding up or other disposition of assets of the Issuer; and

(vi) does not restrict the payment of amounts due in respect of the Notes or compliance by the Issuer with its obligations under the Notes and the Trust Deed,

provided, however, that on the occurrence of any event or circumstance that results in such Indebtedness ceasing to qualify as Subordinated Indebtedness, such Indebtedness shall constitute an incurrence of such Indebtedness by the Issuer or any of its Subsidiaries, as the case may be, and any and all Restricted Payments made through the use of the net proceeds from the incurrence of such Indebtedness since the date of the original issuance of such Subordinated Indebtedness shall constitute

new Restricted Payments that are deemed to have been made after the date of the original issuance of such Subordinated Indebtedness; and

"**Weighted Average Life to Maturity**" means, when applied to any Indebtedness at any date, the number of years obtained by dividing (a) the then outstanding aggregate principal amount of such Indebtedness into (b) the sum of the total of the products obtained by multiplying (i) the amount of each then remaining instalment, sinking fund, serial maturity or other required payment of principal, including payment at final maturity, in respect thereof, by (ii) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

4.3 Limitations on Sale of Certain Assets

The Issuer and each Guarantor will not, and the Issuer will not permit any Subsidiary of the Issuer to, consummate any Asset Sale unless the proceeds received by the Issuer, any Guarantor or such Subsidiary, as the case may be (including any non-cash consideration received, including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) are at least equal to the Fair Market Value of the Production Assets or Capital Stock of a Subsidiary of the Issuer holding Production Assets, as the case may be, sold or disposed of and an amount equal to such proceeds, if any (less any costs and expenses incurred in relation to such Asset Sale) (such net proceeds, "**Disposal Proceeds**") is:

(i) applied to repay permanently any Consolidated Indebtedness (other than Indebtedness subordinated to the Notes);

(ii) invested in assets of a nature or type that is used or usable in the ordinary course of business of the Issuer, any Guarantor or any of the Issuer's Subsidiaries, being the Core or Related Business;

(iii) retained as cash deposited with a bank or invested in Cash Equivalents; and/or

(iv) applied to finance the acquisition, merger, reorganisation or other combination of a business of the Group with the business of a Person whose business is similar to the Core or Related Business,

in each case, within 365 days of the date when the Disposal Proceeds are received; *provided* that, if the Disposal Proceeds are applied pursuant to Condition 4.3(iv), the Issuer, relevant Guarantor or such Subsidiary, as the case may be, shall apply or invest the Disposal Proceeds on or prior to the date falling 540 days after the date when such proceeds are received either to (a) repay permanently any Consolidated Indebtedness (other than Indebtedness subordinated to the Notes and/or the Guarantees), (b) invest in assets of a nature or type that is used or usable in the ordinary course of business of the Issuer, any Guarantor or any of the Issuer's Subsidiaries, being the Core or Related Business or (c) finance the acquisition, merger, reorganisation or other combination of a business of the Group with the business of a Person whose business is similar to the Core or Related Business, it being understood that the Issuer and its Subsidiaries will be entitled to retain Disposal Proceeds for a period longer than the abovementioned 540 day-period as cash deposited with a bank or invested in Cash Equivalents in an amount not to exceed 10% of the Consolidated Assets; or

In these Conditions:

"**Approved Jurisdiction**" means any country where the Issuer and its Subsidiaries are (or will be) incorporated, or any agency, authority, central bank, department, committee, government, legislature, minister, ministry, official or public or statutory Person (whether autonomous or not) thereof;

"**Asset Sale**" means any lease (other than an operating lease entered into in the ordinary course of business), sale, sale and lease-back, transfer or other disposition either in one transaction or in a series of related transactions, by the Issuer, any Guarantor or any of their respective Subsidiaries to a Person that is not part of the Group, of (a) any Production Assets or (b) the Capital Stock of any Subsidiary of the Issuer that holds Production Assets, the value of which exceeds 2.5 per cent. of the total Production Assets of the Group in any 12-month period (determined, in each case, by reference to the most recently available audited annual financial statements or reviewed interim financial statements of the Issuer prepared in accordance with the 2013 Accounting Principles); provided that "**Asset Sale**" shall not include: (i) sales or other dispositions of inventory or stock in trade in the ordinary course of business; (ii) a disposition by the Issuer to a Guarantor or by a Guarantor to the Issuer or another Guarantor; (iii) a disposition by a Subsidiary of the Issuer that is not a Guarantor to the Issuer, a Guarantor or another Subsidiary of the Issuer that is not a Guarantor; (iv) a disposition of obsolete, surplus or worn out assets that are no longer used or usable in the conduct of the Core or Related Business; (v) any disposition in connection with a Permitted Reorganisation; (vi) dispositions in a single transaction or series of related transactions with a Fair Market Value of less than €1,000,000; (vii) dispositions in connection with Permitted Security Interests; and (viii) foreclosure, condemnation or similar action with respect to any assets;

"**Cash Equivalents**" means:

(i) any evidence of Indebtedness with a maturity of one year or less issued or directly and fully guaranteed or insured by a corporation or other legal entity organized under the laws of an Approved Jurisdiction; provided that the full faith and credit of an Approved Jurisdiction (or similar concept under the laws of the relevant Approved Jurisdiction) is pledged in support thereof; and/or

(ii) commercial paper with a maturity of one year or less issued by a corporation organized under the laws of an Approved Jurisdiction; and/or

(iii) certificates of deposit maturing within one year after the relevant date of calculation and issued by a bank with credit rating not below (i) BBB by to Standard & Poor's Credit Market Services Europe Limited or Fitch Ratings Limited, or (ii) Baa2 by Moody's Investor Services Ltd.; and/or

(iv) any investment in money market funds which have a credit rating of either A-1 or higher by Standard & Poor's Credit Market Services Europe Limited or Fitch Ratings Limited or P1 or higher by Moody's Investor Services Limited and which invest substantially all their assets in securities of the type described in paragraph (i) above and which can be turned into cash on not more than 30 days' notice,

in each case, which is not issued or guaranteed by any member of the Group or subject to any Security Interest.

Each of Standard & Poor's Credit Market Services Europe Limited, Fitch Ratings Limited and Moody's Investor Services Limited is established in the EEA and registered under Regulation (EU) No. 1060/2009, as amended, and is included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs;

"**Consolidated Indebtedness**" means, at any date of determination (and without duplication), all Indebtedness of the Group as calculated in accordance with the then most recently available

consolidated financial statements of the Issuer prepared in accordance with the 2013 Accounting Principles;

"**Core or Related Business**" means the business of developing, manufacturing and distributing cosmetics and skin care products on a business to business outsourcing basis and evaluating, participating in or pursuing any other activity, investment or opportunity that is related to the foregoing;

"**Fair Market Value**" means the price that could be negotiated in an arm's length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors of the Issuer, any Guarantor or any Subsidiary, as the case may be, whose determination shall be conclusive if evidenced by a resolution of such relevant competent management body;

"**Production Assets**" means property, plant and equipment of the Group determined in accordance with IFRS which are used in the Core or Related Business of the Group.

4.4 Transactions with Affiliates

The Issuer and each Guarantor will not, and shall ensure that none of their respective Subsidiaries, directly or indirectly, will, conduct any business, enter into or permit to exist any transaction or series of related transactions (including, without limitation, the purchase, sale, transfer, conveyance or exchange of any property or the rendering of any service) with, or for the benefit of, any Affiliate (as defined in Rule 405 of the United States Securities Act of 1933, as amended, an "**Affiliate**" and each such transaction, an "**Affiliate Transaction**"), including, without limitation, intercompany loans, unless the terms of such Affiliate Transaction are no less favorable to the Issuer or Guarantor or such Subsidiary, as the case may be, than those that could be obtained (at the time of such transaction or, if such transaction is pursuant to a written agreement, at the time of the execution of the agreement providing therefor) in a comparable arm's length transaction with a Person that is not an Affiliate of the Issuer or Guarantor or such Subsidiary.

This Condition 4.4 does not apply to: (i) any Affiliate Transaction between the Issuer or Guarantor or their respective Subsidiaries and between such Subsidiaries; (ii) any Affiliate Transaction not involving, individually or in aggregate, payments or value in excess of €1,000,000; (iii) compensation or employee benefit arrangements (including indemnities) with any employee, officer or director of the Issuer, a Guarantor or any Subsidiary of the Issuer arising as a result of any employment, consulting, collective bargaining or benefit plan, program, contract or arrangement; or (iv) any Restricted Payment permitted to be made pursuant to Condition 4.2 (*Restricted Payments*).

4.5 Listing

The Issuer shall, for so long as any Notes remain outstanding, use all reasonable endeavors to maintain a listing of the Notes on the regulated market of the Irish Stock Exchange or another regulated market on a stock exchange in the European Economic Area.

5 COMPLIANCE CERTIFICATE

For so long as any Notes or Coupons remain outstanding, the Issuer will deliver the Compliance Certificate to the Trustee on request and on each Reporting Date confirming:

(i) that the Issuer and the Guarantors are and have been in compliance with the covenants set out in Condition 2.7 (*Guarantor Coverage*), Condition 3.1 (*Transaction Security*), Condition 3.3 (*Negative Pledge*), Condition 4.1 (*Limitation on Indebtedness*), Condition 4.2 (*Restricted Payments*), Condition

4.3 (*Limitations on Sale of Certain Assets*), Condition 4.4 (*Transactions with Affiliates*) and Condition 4.5 (*Listing*) since the previous Reporting Date, or in the case of the first Reporting Date, since the Issue Date;

(ii) that as at the Certified Date (as defined in the Trust Deed) the Issuer and any Guarantor have complied with their obligations under the Trust Deed and the other Transaction Documents and that as at such date there did not exist nor had there existed since the Certified Date of the last Compliance Certificate, or in the case of the first Compliance Certificate since the Issue Date, any Event of Default, Default or Change of Control,

or if such an event has occurred or if the Issuer or Guarantors is not in compliance, specifying such event or the nature of such non-compliance.

As such, the Trustee shall have no duty to monitor compliance by the Issuer with the covenants set out in Condition 2.7 (*Guarantor Coverage*), Condition 3.1 (*Transaction Security*), Condition 3.3 (*Negative Pledge*) and Condition 4 (*Covenants*) or the Trust Deed and shall rely without liability to any person and without further enquiry on the Compliance Certificates or any other relevant certificates provided pursuant to such Conditions as to the Issuer's and its Subsidiaries' compliance or non-compliance as aforementioned.

As used herein:

"**Reporting Date**" means each date that the Issuer publishes its financial statements provided that such date falls (i) no later than sixty (60) days after the approval by the Board of Directors of the Issuer's consolidated financial statements, with respect to a Relevant Period ending on December 31, and in any event by no later than July 31, of the following calendar year or (ii) no later than thirty (30) days after the approval by the Board of Directors of the Issuer's unaudited semi-annual consolidated financial statements, with respect to a Relevant Period ending on June 30 and in any event no later than September 30, of the same calendar year.

6 INTEREST

6.1 Interest Rate and Interest Payment Dates

The Notes bear interest on their outstanding principal amount from and including the Issue Date at the rate of 3.875 per cent. per annum (the "**Rate of Interest**"), payable annually in arrear on March 28 in each year (each an "**Interest Payment Date**"). The first payment (representing one year's interest) shall be made on March 28, 2016 (the "**First Interest Payment Date**" and also an "**Interest Payment Date**"). The amount of interest payable on the First Interest Payment Date shall be €38.86 per Calculation Amount (as defined below) and the amount of interest payable on any other Interest Payment Date shall be €38.75 per Calculation Amount (as defined below).

6.2 Interest Accrual

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event, interest will continue to accrue (both before and after judgment) until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) seven (7) days after the date on which the full amount of the moneys payable in respect of such Notes has been received by the Principal Paying Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 13 (*Notices*) (except to the extent that there is any subsequent default in payment).

6.3 Calculation of Broken Interest

If interest is required to be paid in respect of a Note on any date other than an Interest Payment Date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent, with 0.5 cents being rounded upwards and multiplying such rounded figure by a fraction equal to the denomination of such Note divided by the Calculation Amount.

In these Conditions:

(a) "**Calculation Amount**" means €1,000; and

(b) "**Day Count Fraction**" means (a) the actual number of days in the period from and including the date from which interest begins to accrue (the "**Accrual Date**") to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date.

7 PAYMENTS

7.1 Payments in Respect of Notes

Payments of principal and interest in respect of each Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Note, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

7.2 Method of Payment

Payments will be made by credit or transfer to a euro account (or to any other account to which euro may be credited or transferred) specified by the payee with a bank in a city in which banks have access to the TARGET System.

7.3 Missing Unmatured Coupons

Each Note should be presented for payment together with all relative unmatured Coupons failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of ten (10) years after the Relevant Date (as defined in Condition 9 (*Taxation*)) in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 10 (*Prescription*)) or, if later, five (5) years after the date on which the Coupon would have become due, but not thereafter.

7.4 Payments Subject to Applicable Laws

Payments in respect of principal and interest on Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

7.5 Payment Only on a Presentation Date

A holder shall be entitled to present a Note or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 6 (*Interest*), be entitled to any further interest or other payment if a Presentation Date is after the due date for such payment.

In these Conditions:

(a) "**Business Day**" means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place;

(b) "**Presentation Date**" means a day which (subject to Condition 10 (*Prescription*)):

(i) is or falls after the relevant due date;

(ii) is a Business Day in the place of the specified office of the Paying Agent at which the Note or Coupon is presented for payment; and

(iii) in the case of payment by credit or transfer to a euro account as referred to above, is a TARGET Settlement Day;

(c) "**TARGET Settlement Day**" means any day on which the TARGET System is open for the settlement of payments in Euro; and

(d) "**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) system.

7.6 Partial Payments

If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

7.7 Initial Paying Agents

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents *provided that*:

(a) there will at all times be a Principal Paying Agent;

(b) so long as the Notes are listed on any stock exchange or admitted to trading by any relevant authority, there will be a Paying Agent (which may be the Principal Paying Agent) having its specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;

(c) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and

(d) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the Republic of Italy.

Notice of any termination or appointment and of any changes in specified offices will be given to the Trustee and the Noteholders promptly by the Issuer in accordance with Condition 13 (*Notices*).

8 REDEMPTION AND PURCHASE

8.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount together with any accrued and unpaid interest on March 28, 2022 (the "**Maturity Date**"), subject as provided in Condition 7 (*Payments*).

8.2 Redemption for Taxation Reasons

If the Issuer certifies to the Trustee immediately before the giving of the notice referred to below that:

(a) as a result of any change in, or amendment to, the laws or regulations of the Relevant Taxing Jurisdiction, or any change in the application or official interpretation of such laws or regulations (including a decision made by a court of competent jurisdiction), which change or amendment becomes effective after March 24, 2015, the Issuer or, if the Guarantees were called, the relevant Guarantor would be required to pay additional amounts as provided or referred to in Condition 9 (*Taxation*); and

(b) such obligation cannot be avoided by the Issuer or the relevant Guarantor, as the case may be, taking reasonable measures available to it,

the Issuer may, at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 13 (*Notices*) (which notice shall be irrevocable), redeem the Notes in whole, but not in part, at any time, at their principal amount together with interest accrued to but excluding the date of redemption *provided that* no such notice of redemption shall be given (i) earlier than 90 days prior to the earliest date on which the Issuer or any Guarantor, as the case may be, would be obliged to pay such additional amounts if a payment in respect of the Notes were then payable and (ii) unless, at the time such notice is given, such change or amendment remains in effect (or due to take effect).

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (i) a certificate signed by two Authorised Signatories (as defined in the Trust Deed) of the Issuer or, as the case may be, the relevant Guarantor stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer or, as the case may be, the relevant Guarantor taking reasonable measures available to it and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer (or the Guarantors, as the case may be) has or will become obliged to pay such additional amounts as a result of such change or amendment, and the Trustee shall be entitled to accept the certificate and opinion without liability to any person and without further enquiry as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Trustee, the Noteholders and the Couponholders.

In these Conditions, the "**Relevant Taxing Jurisdiction**" means:

(a) in respect of payments by the Issuer, the Republic of Italy or any political subdivision or any agency or authority thereof or therein having power to tax; or

(b) in respect of payments by any Guarantor, the jurisdiction of such Guarantor, or any political subdivision or any authority thereof or therein having power to tax or in each such case any other jurisdiction or any political subdivision or any authority thereof or therein having power

to tax to which such Guarantor becomes subject in respect of payments made by it of principal and interest on the Notes and Coupons;

(c) in each of the above cases, any other jurisdiction or any political subdivision or any agency or authority thereof or therein having power to tax to which the Issuer or a Guarantor may become subject in respect of payments of principal and interest on the Notes and Coupons or, in the case of any Guarantor, under the respective Guarantee.

8.3 Redemption at the Option of the Holders upon a Change of Control

Promptly and in any event within ten (10) Business Days after the occurrence of a Change of Control (as defined below), the Issuer will give written notice thereof (a "**Change of Control Notice**") to the Trustee and holders of all outstanding Notes in accordance with Condition 13 (*Notices*), which Change of Control Notice shall (i) refer specifically to this Condition 8.3 (*Redemption at the Option of the Holders upon a Change of Control*), (ii) describe in reasonable detail the event or circumstances resulting in the Change of Control, (iii) specify the date for redemption of the Notes, which shall be a Business Day not less than 30 days and not more than 90 days after the date of such Change of Control Notice ("**Change of Control Redemption Date**"), (iv) offer to redeem, on the Change of Control Redemption Date, all Notes at 101 per cent. of their principal amount together with interest accrued thereon to the Change of Control Redemption Date and (v) specify the date by which holders must provide written notice to the Issuer of such holder's redemption, which shall be not less than fifteen (15) days prior to the Change of Control Redemption Date (the "**Change of Control Response Date**"). For so long as the Notes are listed on the regulated market of the Irish Stock Exchange and the rules of such exchange so require, the Issuer shall also notify the Irish Stock Exchange promptly of any Change of Control. The Issuer shall redeem on the Change of Control Redemption Date all of the Notes held by Noteholders that requires the redemption at the price specified above. If any holder does not require early redemption on or before the Change of Control Response Date, such holder shall be deemed to have waived its rights under this Condition 8.3 (*Redemption at the Option of the Holders upon a Change of Control*) to require early redemption of all Notes held by such holder in respect of such Change of Control (in respect of which it has not required early redemption) but not in respect of any subsequent Change of Control.

To exercise the right to require early redemption of any Notes, the holder of the Notes must deliver at the specified office of any Paying Agent, on any Business Day before the Change of Control Response Date, a duly signed and completed notice of exercise in the form (for the time being current and which may, if such Notes are held in a clearing system, be in any form acceptable to such clearing system and may be delivered in any manner acceptable to such clearing system) obtainable from the specified office of any Paying Agent (a "**Put Notice**") and in which the holder must specify a bank account to which payment is to be made under this Condition 8.3 (*Redemption at the Option of the Holders upon a Change of Control*) accompanied by such Notes or evidence satisfactory to the Paying Agent concerned that such Notes will, following the delivery of the Put Notice, be held to its order or under its control. A Put Notice given by a holder of any Note shall be irrevocable except where, prior to the Change of Control Redemption Date, an Event of Default has occurred and is continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the Put Notice.

As used herein, a "**Change of Control**" shall be deemed to have occurred if one or more Person or Persons (other than a Permitted Holder) acquire Control of the Issuer.

For the purposes of this definition;

"**Control**" means the power to (i) appoint or remove all or the majority of the directors of the Issuer or (ii) own more than 50 per cent of the corporate capital of the Company; or (iii) own a portion of the

Issuer's corporate capital vested with more than 50 per cent. of the voting rights normally exercisable at the Issuer's ordinary shareholders' meetings or, in any case, the percentage sufficient to exercise a relevant influence (*influenza dominante*, as such terms are used in article 2359 of the Italian civil code) on the Issuer's shareholders' meeting;

"**Ferrari Family Shareholder**" means Mr. Dario Ferrari; and

"**Permitted Holder(s)**" means (a) any Ferrari Family Shareholder and (b) any Related Party of the foregoing; and

"**Related Party**" means a child or spouse of any individual Permitted Holder.

8.4 Redemption at the Option of the Issuer

The Issuer may, having given not less than 30 nor more than 60 days' notice to the Trustee and to the Noteholders in accordance with Condition 13 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the Notes, at any time (the "**Optional Redemption Date**"):

(i) in the event that the Optional Redemption Date is prior to March 28, 2018, at the Make Whole Amount;

(ii) in the event that the Optional Redemption Date is on or after March 28, 2018, at a redemption price per Note equal to the percentage of the nominal amount of the Note specified in the table below opposite the period in which the Optional Redemption Date falls:

March 28, 2018 to March 27, 2019	101 per cent.
March 28, 2019 to March 27, 2020	100.5 per cent.
March 28, 2020 to the Maturity Date	100 per cent.

plus, in each case, any interest accrued on the Notes to, but excluding, the Optional Redemption Date. Any notice so given shall oblige the Issuer to redeem the Notes on the Optional Redemption Date accordingly.

For the purpose of this Condition:

"**Make Whole Amount**" means a redemption price per Note equal to the greater of:

(a) 101 per cent. of the nominal amount of the Note; or

(b) as determined by the Reference Dealers (as defined below), the sum of the then current values (i) of the remaining scheduled payments of principal on the Note and (ii) of the scheduled payments of interest on the Note up to and including March 28, 2018 (not including any interest accrued on the Note to, but excluding, the Optional Redemption Date) discounted to the Optional Redemption Date on an annual basis (based on the actual number of days elapsed divided by 365 or (in the case of a leap year) 366) at the Reference Dealer Rate (as defined below);

"**Reference Dealer Rate**" means, with respect to the Reference Dealers and the Optional Redemption Date, the average of the mid-market annual swap rate as determined by the Reference Dealers at 11.00 a.m. London time, on the third Business Day in London preceding such Optional Redemption Date quoted in writing to the Issuer by the Reference Dealers. For this purpose, the "**mid-market annual swap rate**" means the arithmetic mean of the bid and offered rates for the annual fixed leg calculated

on such Optional Redemption Date on a 30/360 day count basis on a fixed-for-floating euro interest rate swap transaction maturing on March 28, 2018; and

"**Reference Dealers**" means four major investment banks in the swap, money, securities or other market most closely connected with the Reference Dealer Rate, as selected by UBS Limited.

8.5 Redemption at the Option of the Issuer following Equity Offering

Without prejudice to Condition 8.4 (*Redemption at the Option of the Issuer*), the Issuer may, within 180 days of the closing of an Equity Offering, at any time prior to March 28, 2017, on giving not less than 30 nor more than 60 days' irrevocable notice to the Noteholders, use a portion of the proceeds of such Equity Offering to redeem up to 35 per cent. of the Notes outstanding, *provided that* following such redemption an aggregate principal amount of at least €78,000,000 of the Notes will remain outstanding, at the lower of (i) the Make Whole Amount and (ii) a redemption price per Note equal to 104 per cent. of the nominal amount of the Note, together in each case with interest accrued to the date fixed for redemption.

Any notice sent pursuant to this Condition 8.5 (*Redemption at the Option of the Issuer following Equity Offering*) shall set out (i) the date of redemption of the Notes, (ii) the aggregate principal amount of Notes to be redeemed, (iii) the redemption price per Note, (iv) the aggregate principal amount of Notes that will remain outstanding following such redemption and (v) the serial numbers of the Notes to be redeemed, which shall have been drawn in such place as the Issuer may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

All Notes in respect of which any notice of redemption is given under this Condition 8.5 (*Redemption at the Option of the Issuer following Equity Offering*) shall be redeemed on the date specified in such notice in accordance with this Condition 8.5 (*Redemption at the Option of the Issuer following Equity Offering*).

For the purpose of this Condition 8.5 *(Redemption at the Option of the Issuer following Equity Offering*):

"**Equity Offering**" means (i) any bona fide underwritten primary public offering or private placement of Common Stock of the Issuer after the Issue Date or (ii) any bona fide underwritten secondary public offering or secondary private placement of Common Stock of the Issuer beneficially owned by a Permitted Holder, after the Issue Date provided such public offering or private placement is to a person other than a Permitted Holder;

8.6 No Other Redemption

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 8.1 (*Redemption at Maturity*) to 8.5 (*Redemption at the Option of the Issuer following Equity Offering*) above.

8.7 Purchases

The Issuer, any Guarantor or any of their respective Subsidiaries may at any time purchase Notes (*provided that* all unmatured Coupons appertaining to the Notes are purchased with the Notes) in any manner and at any price. Such Notes may be held, reissued or resold or, at the option of the Issuer, surrendered to the Principal Paying Agent for cancellation. Any Notes so purchased, while held by or on behalf of the Issuer, any Guarantor or any of their respective Subsidiaries, shall not entitle the holder to vote at any meetings of the Noteholders.

8.8 Cancellations

All Notes which are (i) purchased by the Issuer, any Guarantor or any of their respective Subsidiaries and surrendered for cancellation or (ii) redeemed, and any unmatured Coupons attached to or surrendered with them, shall be cancelled and may not be reissued or resold.

8.9 Notices Final

Upon the expiry of any notice as is referred to in Conditions 8.2 (*Redemption for Taxation Reasons*), 8.3 (*Redemption at the Option of the Holders upon a Change of Control*), 8.4 (*Redemption at the Option of the Issuer*) or 8.5 (*Redemption at the Option of the Issuer following Equity Offering*) above the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such Conditions. If more than one notice of redemption is given by the Issuer pursuant to these Conditions, or a Noteholder delivers a Put Notice pursuant to Condition 8.3 (*Redemption at the Option of the Holders upon a Change of Control*), the first in time of such notices shall prevail.

9 TAXATION

9.1 Payment without Withholding

All payments in respect of principal and interest by the Issuer in respect of the Notes and the Coupons or by any Guarantor under a Guarantee, as the case may be, will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of any of the Relevant Taxing Jurisdictions, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer or, as the case may be, the relevant Guarantor will pay such additional amounts as may be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would have been received in respect of the Notes or (as the case may be) Coupons in the absence of such withholding or deduction, except that no additional amounts shall be payable with respect to any Note or Coupon:

(a) presented for payment by, or by a third party on behalf of, a holder who is liable to such Taxes, in respect of such Note or Coupon by reason of its having some connection (otherwise than merely by holding the Note or Coupon) with the Relevant Taxing Jurisdiction; or

(b) presented for payment in the Republic of Italy; or

(c) for or on account of *imposta sostitutiva* pursuant to the provisions of Legislative Decree No. 239 of 1 April 1996, as amended, supplemented or restated from time to time ("**Decree No. 239**") or related implementing regulations; or

(d) presented for payment more than thirty (30) days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amount on presenting the same for payment on the thirtieth such day; or

(e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(f) held by or on behalf of a Noteholder or Couponholder who would have been able lawfully to avoid (but has not so avoided) such deduction or withholding by complying with any statutory requirements; or

(g) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union, without prejudice to the option of the Issuer to redeem the Notes pursuant to, and subject to the conditions of, Condition 8.2 (*Redemption for Taxation Reasons*).

9.2 Interpretation

In these Conditions:

(a) the "**Relevant Date**" in respect of any Note or Coupon means the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date on which notice is duly given to the holders of Notes in accordance with Condition 13 (*Notices*) that, upon further presentation of the Note or Coupon being made in accordance with the Conditions, such payment will be made, *provided that* payment is in fact made upon such presentation; and

(b) any reference in these Conditions to "**principal**" and/or "**interest**" shall be deemed to include any additional amounts which may be payable under this Condition 9 (*Taxation*).

10 PRESCRIPTION

Notes and Coupons will become void unless presented for payment within periods of ten (10) years (in the case of principal) and five (5) years (in the case of interest) from the Relevant Date in respect of the Notes or, as the case may be, the Coupons, subject to the provisions of Condition 7 (*Payments*).

11 EVENTS OF DEFAULT

If any of the following events ("**Events of Default**") occurs then the Trustee at its discretion may, and if so requested in writing by holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution (as defined in the Trust Deed), shall, in each case, subject to its being indemnified and/or secured and/or prefunded to its satisfaction, give notice to the Issuer that the Notes are, and shall accordingly forthwith become, immediately due and repayable at their principal amount, together with interest accrued to the date of repayment:

(a) *Non-payment*:

if default is made in the payment of any amount of principal in respect of the Notes when due and such failure continues for a period of three (3) TARGET Settlement Days, or if default is made in the payment of any amount of interest in respect of the Notes when due and such failure continues for a period of seven (7) TARGET Settlement Days; or

(b) *Breach of other obligations*:

if the Issuer or any Guarantor fails to perform or observe any of its other obligations under these Conditions or the Trust Deed or any of the other Transaction Documents and (except in any case where the Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of thirty (30) days following the service by the Trustee on the Issuer or the relevant Guarantor (as the case may be) of notice requiring the same to be remedied; or

(c) *Cross-acceleration*:

(i) any Indebtedness (other than arising under the Notes) of the Issuer, any Guarantor or any Material Subsidiary becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such Indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer, any Guarantor or any Material Subsidiary fails to pay when due or, as the case may be, within any applicable grace period, any amount payable by it under any present or future guarantee for, or indemnity in respect of, any Indebtedness, *provided that* the aggregate amount of the Indebtedness, guarantees and/or indemnities in respect of which one or more of the events mentioned in this paragraph (c) have occurred (in the case of (iii) taking into account only the amount which the relevant person has failed to pay) equals or exceeds €10,000,000 or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against euro as quoted by any leading bank on the day on which this paragraph operates); or

(d) *Enforcement proceedings*:

a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or any property, assets or revenues of the Issuer, any Guarantor or any Material Subsidiary which represents a Substantial Part and is not discharged or stayed within forty-five (45) days; or

(e) *Security enforced*:

any mortgage, charge, pledge, lien or other encumbrance, created or assumed by the Issuer, any Guarantor or any Material Subsidiary in respect of all or any property, assets or revenues which represents a Substantial Part becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and such enforcement is not discharged or stayed within forty five (45) days; or

(f) *Insolvency/Composition*:

the Issuer, any Guarantor or any Material Subsidiary is (or is deemed by applicable law or by a competent court to be) insolvent or bankrupt or unable to pay its debts as they fall due, stops, suspends or threatens to stop or suspend payment of all or more than ten per cent. of the principal amount of debts of the Group, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of all or more than ten per cent. of the principal amount of such debts or a moratorium is agreed or declared in respect of or affecting all or more than ten per cent. of the principal amount of debts of the Group; or

(g) *Winding up/Cessation of business*:

an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer, any Guarantor or any Material Subsidiary, or the Issuer, any Guarantor or any Material Subsidiary ceases or threatens to cease to carry on all or any part of the business or operations which represents a Substantial Part, in each case save for the purposes of, or pursuant to, a Permitted Reorganisation; or

(h) *Analogous event*:

any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in the paragraphs (d) to (g) above; or

(i) *Unlawfulness*:

if it is or will become unlawful for the Issuer or any Guarantor to perform or comply with any of its obligations under or in respect of the Notes or the Trust Deed or any of the other Transaction Documents or any such obligations cease or will cease to be legal, valid, binding and enforceable; or

(j) *Guarantee*:

if any Guarantee ceases to be, or is claimed by the Issuer or either Guarantor not to be, in full force and effect, save for the purposes of, or pursuant to, a Permitted Reorganisation or pursuant to Condition 2.6 (*Release of Guarantees*); or

(k) *Guarantor*:

if any Guarantor ceases to be a subsidiary controlled, directly or indirectly, by the Issuer, save for the purposes of, or pursuant to, a Permitted Reorganisation.

As used herein:

"**Permitted Reorganisation**" means any "**fusione**" or "**scissione**" (such expressions bearing the meanings ascribed to them by the laws of the Republic of Italy) or any other reconstruction, amalgamation, reorganisation, merger, consolidation, disposal or transfer of assets or other similar arrangement (including any series of connected transactions), in each case:

(a) on terms approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders; or

(b) in the case of a Material Subsidiary, whilst solvent, whereby all or substantially all of the assets and liabilities of such Material Subsidiary are transferred to or otherwise vested in the Issuer, a Guarantor or another Subsidiary of the Issuer; or

(c) in the case of a Guarantor, whilst solvent whereby all or substantially all of the assets and liabilities of such Guarantor are transferred to or otherwise vested in the Issuer or another Guarantor; or

(d) in the case of the Issuer, whilst solvent whereby (i) substantially all of the assets and liabilities of the Issuer are transferred to an entity which, prior to or immediately upon such transfer, is a Subsidiary of the Issuer and (ii) such entity becomes, in accordance with the provisions of the Trust Deed and upon execution of all necessary documents as specified in the Trust Deed, an Additional Guarantor in respect of the Notes and the Issuer's obligations under the Trust Deed,

provided that in the case of (b), (c) and (d) above, opinions of independent legal advisers of recognised standing in the jurisdiction of the Issuer or such Guarantor and as to English law, in each case in a form and with substance satisfactory to the Trustee and upon which the Trustee shall rely without further enquiry or liability to any person, have been delivered to the Trustee confirming that the Issuer or such Guarantor or such Subsidiary has assumed the relevant obligations in accordance with applicable law at the effective date of such arrangement and *provided further that*, for the avoidance of doubt, in the case of (c) above, where the relevant assets are transferred to or otherwise vested in the Issuer, no such opinions will be required or necessary.

"**Substantial Part**" means thirty-five (35) per cent. or more of the Consolidated Assets or the Consolidated Revenues, as calculated by reference to the then latest audited annual consolidated financial statements of the Issuer.

12 REPLACEMENT OF NOTES AND COUPONS

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent or the Paying Agent in the European Union, subject to all applicable laws, listing authority requirements and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the

Issuer and any Guarantor may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

13 NOTICES

All notices to the Noteholders will be valid if published in a leading English language daily newspaper published in London or such other English language daily newspaper with general circulation in Europe as the Issuer may decide and, so long as the Notes are listed on the Irish Stock Exchange and the rules of that exchange so require, on the website of the Irish Stock Exchange (www.ise.ie) or in one daily newspaper published in Ireland. It is expected that publication will normally be made in the Financial Times. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

14 TRUSTEE

14.1 Under the Trust Deed, the Trustee is entitled to be indemnified and/or secured and/or prefunded to its satisfaction prior to taking any proceeding, step or action and relieved from responsibility in certain circumstances and to be paid its remuneration costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

14.2 In connection with the exercise by the Trustee of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, any Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 9 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 9 (*Taxation*) pursuant to the Trust Deed.

15 MEETINGS OF NOTEHOLDERS, NOTEHOLDERS' REPRESENTATIVE AND MODIFICATION

15.1 Meetings of Noteholders

All meetings of the Noteholders will be held in compliance with mandatory provisions of Italian law in force from time to time.

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including, *inter alia*, the modification or abrogation by Extraordinary Resolution (as defined in the Trust Deed) of any of the provisions contained in these Conditions or in the Trust Deed, the Intercreditor Agreement and the Security Documents. Any such meeting may be convened by the Board of Directors of the Issuer or the Noteholders' Representative (as defined below) when they deem it necessary or upon the request in writing signed by any Noteholder(s) holding not

less than one-twentieth of the aggregate principal amount of the Notes for the time being remaining outstanding. If the Board of Directors of the Issuer (failing which the statutory auditors of the Issuer) default in convening such a meeting following such request or requisition by the Noteholders, the same may be convened by decision of the President of the competent court in accordance with the provisions of Article 2367 of the Italian Civil Code. Every such meeting shall be held at such time and place as provided pursuant to Article 2363 of the Italian Civil Code and the Issuer's by-laws, in force from time to time.

Subject to the provisions of the following paragraph relating to the requirements to pass resolutions (including resolutions with respect to Reserved Matters), such a meeting will be validly held (subject, where applicable, to compliance with the Issuer's by-laws, in force from time to time) if: (a) in the case of a first meeting, there are one or more persons present being or representing Noteholders holding more than half of the aggregate principal amount of the outstanding Notes; (b) in the case of a second meeting there are one or more persons present being or representing Noteholders holding more than one third of the aggregate principal amount of the outstanding Notes.

The majority required to pass a resolution at any meeting convened to vote on any resolution (subject to compliance with mandatory laws, legislation, rules and regulations of Italy in force from time to time) will be (i) for voting on any matter other than a Reserved Matter, (a) in the case of a first meeting one or more persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or (b) in the case of a second meeting one or more persons holding or representing at least two-thirds of the aggregate principal amount of the outstanding Notes represented at the meeting or (ii) for voting on a Reserved Matter, the higher of (A) one or more persons holding or representing not less than one half of the aggregate principal amount of the outstanding Notes and (B) one or more persons holding or representing not less than two-thirds of the Notes represented at the meeting, *provided that*, to the extent permitted under applicable provisions of Italian law, the Issuer's by-laws may in each case provide for higher majorities. Any resolution duly passed at any such meeting shall be binding on all the Noteholders, whether or not they are present at the meeting and on all Couponholders.

"**Reserved Matter**" has the meaning given to it in the Trust Deed and includes any proposal, as set out in Article 2415, paragraph 1, item 2 of the Italian Civil Code, to modify the Terms and Conditions of the Notes (including, *inter alia*, any proposal to modify the maturity of the Notes or the dates on which interest is payable on them, to reduce or cancel the principal amount of, or interest on, the Notes, or to change the currency of payment of the Notes).

15.2 Noteholders' Representative

A representative of Noteholders (*rappresentante comune*) (the "**Noteholders' Representative**"), subject to any applicable provisions of Italian law, may be appointed in accordance with and pursuant to Article 2417 of the Italian Civil Code in order to represent the Noteholders' interests under these Conditions and to give effect to the resolutions passed at a meeting of the Noteholders. If the Noteholders' Representative is not appointed by a meeting of the Noteholders, it shall be appointed by a decree of the competent court at the request of one or more Noteholders or at the request of the directors of the Issuer. The Noteholders' Representative shall have the powers and duties set out in Article 2418 of the Italian Civil Code.

By accepting a Note, Noteholders (i) shall be deemed to have agreed to, and accepted, the appointment of the Security Agent as *rappresentante* of the Noteholders for the purposes of Article 2414-*bis*, paragraph 3, of the Italian Civil Code and (ii) shall be deemed to have agreed and acknowledged that

the Security Agent will administer the Transaction Security in accordance with the Intercreditor Agreement.

15.3 Modification, Waiver, Authorisation and Determination

The Trustee may agree, without the consent of the Noteholders or Couponholders, but subject to the provisions of the Intercreditor Agreement, to any modification, other than in respect of a Reserved Matter, of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Transaction Documents, or determine, without any such consent as aforesaid, that any Event of Default or Default shall not be treated as such (*provided that*, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders) or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or if it is made to comply with mandatory laws, legislation and regulations of Italy applicable to the convening of meetings, quorums and the majorities required to pass an Extraordinary Resolution and which enters into force at any time while the Notes remain outstanding. Any modification, waiver, authorisation or determination shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 13 (*Notices*).

16 ENFORCEMENT

16.1 Enforcement by the Trustee

The Trustee may at any time, at its discretion and without notice, institute such actions, steps or proceedings as it thinks fit to enforce the provisions of the Trust Deed, the Notes and the Coupons, subject to the provisions of the Intercreditor Agreement, but it shall not be bound to do so or to take any other step or action under or pursuant to the Trust Deed unless:

(a) it has been so requested in writing by the holders of at least one-quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and

(b) it has been indemnified and/or secured and/or prefunded to its satisfaction.

16.2 Enforcement by the Noteholders

No Noteholder may proceed directly against the Issuer or any Guarantor(s) unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

17 FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders and in accordance with the Trust Deed, create and issue further notes, having terms and conditions the same as those of the Notes, or the same except for the Issue Date and the amount and date of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed.

18 GOVERNING LAW AND SUBMISSION TO JURISDICTION

18.1 Governing Law

The Trust Deed (including any Guarantee(s)), the Agency Agreement, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed (including any

Guarantee(s)), the Agency Agreement, the Notes and the Coupons are governed by, and will be construed in accordance with English law, save that provisions in these Conditions and in the Trust Deed relating to Noteholders' meetings and the Noteholders' Representative are subject to compliance with mandatory provisions of Italian law.

18.2 Jurisdiction of English Courts

The Issuer and each Original Guarantor has, in the Trust Deed, irrevocably agreed for the benefit of the Trustee, the Noteholders and the Couponholders that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed (including any Guarantee(s)), the Notes or the Coupons and accordingly has submitted to the exclusive jurisdiction of the English courts. The Issuer and each Original Guarantor waive any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum.

The Trustee, the Noteholders and the Couponholders may take any suit, action or proceeding arising out of or in connection with the Trust Deed (including any Guarantee(s)), the Notes or the Coupons respectively (together referred to as "**Proceedings**") against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

18.3 Appointment of Process Agent

The Issuer and each Original Guarantor has, in the Trust Deed, irrevocably and unconditionally appointed Intercos UK Ltd, whose registered office is at 15A Silver Street, Barnstaple, N Devon, EX32 8HR, as its agent for service of process in England in respect of any Proceedings and has undertaken that in the event of such agent ceasing so to act it will appoint another person as its agent for that purpose and shall notify the Trustee of such appointment.

18.4 Other Documents

The Issuer and each Original Guarantor has in the Trust Deed and in the Agency Agreement submitted to the jurisdiction of the English courts and appointed an agent in England for service of process, in terms substantially similar to those set out above.

19 RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Temporary Global Note and the Permanent Global Note (each, a "**Global Note**") contain provisions which apply to the Notes while they are in global form, some of which modify the effect of the Conditions of the Notes set out in this Prospectus. Beneficial interests in the Permanent Global Note will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and/or Clearstream, Luxembourg. The Global Notes will be issued in NGN form. On June 13, 2006, the European Central Bank (the "**ECB**") announced that notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "**Eurosystem**"), provided that certain other criteria are fulfilled. At the same time, the ECB also announced that arrangements for notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of June 30, 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after December 31, 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

The following is a summary of certain of those provisions:

Exchange for Permanent Global Note and Definitive Notes

(a) The Temporary Global Note will be exchangeable, in whole or in part, for the Permanent Global Note not earlier than forty (40) days after the Issue Date upon certification as to non-U.S. beneficial ownership.

(b) The Permanent Global Note is exchangeable in whole, but not in part, for definitive bearer Notes in the denomination of €100,000 each and integral multiples of €1,000 in excess thereof, up to and including €199,000 each, only if (i) it is held on behalf of Euroclear or Clearstream, Luxembourg, and any such Clearing System is closed for business for a continuous period of fourteen (14) days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so; or (ii) an Event of Default (as defined in Condition 11 (*Events of Default*)) occurs.

If principal in respect of any Notes is not paid when due and payable, the holder of the Permanent Global Note may by notice to the Paying Agent require the exchange of a specified principal amount of the Permanent Global Note (which may be equal to or (provided that, if the Permanent Global Note is held by or on behalf of a Clearing System, that Clearing System agrees) less than the outstanding principal amount of Notes represented thereby) for definitive Notes on or after the exchange date specified in such notice.

On or after any exchange into definitive Notes the holder of the Permanent Global Note may surrender the Permanent Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Paying Agent. In exchange for the Permanent Global Note, or the part thereof to be exchanged, the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated definitive Notes in bearer form (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Trust Deed. On exchange in full of the Permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with any relevant definitive Notes.

Payments

No payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused, provided that, in the case of an improper withholding of, or

refusal to exchange, an interest in the Permanent Global Note, a certificate of non-U.S. beneficial ownership has been properly provided.

Payments of principal and interest in respect of Notes represented by the Permanent Global Note will be made against presentation for endorsement and, if no further payment fails to be made in respect of the Notes, surrender of the Permanent Global Note to or to the order of any Paying Agent as shall have been notified to the Noteholders for such purpose, and may be made, at the direction of the holder of the Permanent Global Note, to the relevant Clearing Systems for credit to the account or accounts of the accountholder or accountholders appearing in the records of the relevant Clearing System as having Notes credited to them. The Issuer shall procure that a record of each payment made in respect of the Permanent Global Note shall be made by the relevant Clearing Systems.

Payments on Business Days

In the case of all payments made in respect of the Temporary Global Note and the Permanent Global Note, "**business day**" means any day on which the TARGET System is open.

Notices

Notices shall be given as provided in Condition 13 (*Notices*), save that so long as the Notes are represented by the Temporary Global Note or Permanent Global Note and the Temporary Global Note or Permanent Global Note is held on behalf of a Clearing System, notices to Noteholders may be given by delivery of the relevant notice to the relevant Clearing System (via the Principal Paying Agent) for communication to the relevant Accountholders (as defined below) rather than by publication as required by Condition 13 (*Notices*), provided, however, that so long as the Notes are admitted to trading on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, such notices will also be published in a leading newspaper having general circulation in the Republic of Ireland or be published on the website of the Irish Stock Exchange (*www.ise.i.e.*). Any notice delivered to Euroclear and/or Clearstream, Luxembourg shall be deemed to have been given to Noteholders on the date on which such notice is delivered to the relevant Clearing System.

Purchase and Cancellation

Cancellation of any Note to be cancelled following its purchase by the Issuer will be effected by a reduction in the principal amount of the relevant Global Note.

Prescription

Claims against the Issuer in respect of principal, premium and interest on the Notes while the Notes are represented by the Permanent Global Note will become void unless it is presented for payment within a period of ten (10) years (in the case of principal) and five (5) years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 9 (*Taxation*)).

Put Option

The Noteholders' option in Condition 8.3 (*Redemption at the Option of the Holders upon a Change of Control*) may be exercised by the holder of the Permanent Global Note giving notice to the Agent of the principal amount of Notes in respect of which the option is exercised within the time limits specified in Condition 8.3 (*Redemption at the Option of the Holders upon a Change of Control*).

Redemption at the Option of the Issuer following Equity Offering

The option of the Issuer provided for in Condition 8.5 (*Redemption at the Option of the Issuer following Equity Offering*) shall be exercised by the Issuer, giving notice to the Noteholders and the relevant central securities depositories ("**ICSDs**") within the time limits set out in, and containing the information required by, the relevant Condition, except that the notice shall not be required to contain the serial numbers of Notes drawn for redemption in the case of a partial redemption of Notes and accordingly no drawing of Notes for redemption shall be required. In the case of a partial exercise of an option, the rights of accountholders with a relevant ICSD in respect of the Notes will be governed by the standard procedures of the relevant ICSD and shall be reflected in the records of the relevant ICSD as either a pool factor or a reduction in nominal amount, at their discretion. Following the exercise of any such option, the Issuer shall procure that the nominal amount of the Notes recorded in the records of the relevant ICSD and represented by the Global Note shall be reduced accordingly.

Redemption for Taxation Reasons and Redemption at the Option of the Issuer

The option of the Issuer provided for in Condition 8.2 (*Redemption for Taxation Reasons*) and the option of the Issuer provided for in Condition 8.4 (*Redemption at the Option of the Issuer*) shall be exercised by the Issuer giving notice to the Noteholders and the relevant ICSD within the time limits set out in, and containing the information required by, the relevant Condition, except that the notice shall not be required to contain the serial numbers of Notes drawn for redemption in the case of a partial redemption of Notes and accordingly no drawing of Notes for redemption shall be required. In the case of a partial exercise of an option, the rights of accountholders with a relevant ICSD in respect of the Notes will be governed by the standard procedures of the relevant ICSD and shall be reflected in the records of the relevant ICSD as either a pool factor or a reduction in nominal amount, at their discretion. Following the exercise of any such option, the Issuer shall procure that the nominal amount of the Notes recorded in the records of the relevant ICSD and represented by the Global Note shall be reduced accordingly.

Authentication and Effectuation

Neither the Temporary Global Note nor the Permanent Global Note shall become valid or enforceable for any purpose unless and until it has been authenticated by or on behalf of the Paying Agent and effectuated by the entity appointed as Common Safekeeper by Euroclear and/or Clearstream, Luxembourg.

Accountholders

For so long as any of the Notes is represented by the Permanent Global Note or by the Permanent Global Note and Temporary Global Note and such Global Note(s) is/are held on behalf of the relevant Clearing Systems, each person (other than a relevant Clearing System) who is for the time being shown in the records of a relevant Clearing System as the holder of a particular principal amount of Notes (each an "**Accountholder**") (in which regard any certificate or other document issued by a relevant Clearing System as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of that principal amount for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders and giving notice to the Issuer pursuant to Condition 8.3 (*Redemption at Option of the Holders upon a Change of Control*) and Condition 11 (*Events of Default*)) other than with respect to the payment of principal and interest on the Notes, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the Permanent Global Note in accordance with and subject to its terms and the terms of the Trust Deed. Each

Accountholder must look solely to the relevant Clearing Systems for its share of each payment made to the bearer of the Permanent Global Note.

Eligibility of the Notes for Eurosystem Monetary Policy

The Notes are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Notes are upon issue deposited with one of the ICSDs as Common Safekeeper and does not necessarily mean that the Notes will be recognized as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem (Eurosystem Eligible Collateral) either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria and other obligations (including the provision of further information) as specified by the ECB from time to time. As at the date of this Prospectus, one of the Eurosystem's eligibility criteria for debt securities is an investment grade rating and, accordingly, as the Notes are unrated, they are not expected to satisfy the requirements for Eurosystem eligibility.

USE OF PROCEEDS

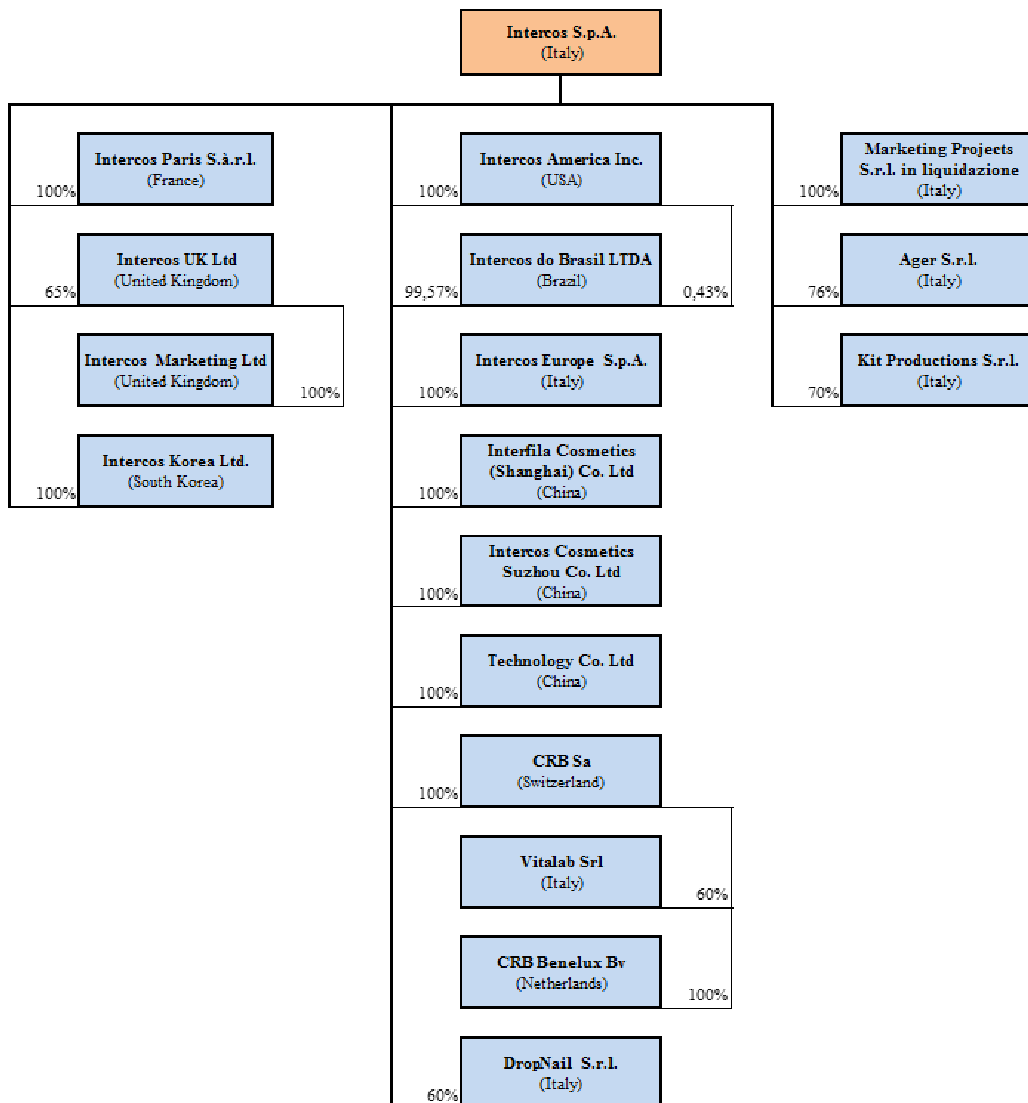
The net proceeds of the issue of the Notes, expected to amount to approximately Euro 118.2 million, will be used by the Issuer (i) to refinance existing financial indebtedness of the Group and (ii) for its general corporate purposes.

DESCRIPTION OF THE ISSUER

Overview

The Issuer is a *società per azioni*, or joint stock company, incorporated under Italian law. The Issuer was initially incorporated as a *società a responsabilità limitata*, or limited liability company, under the name Intercos Group S.r.l. on July 5, 2007 and was converted into a *società per azioni* and changed its name to Intercos S.p.A. on March 2, 2009. Pursuant to its bylaws, the Issuer's corporate life expires on December 31, 2040. The Issuer is registered at the Companies Registry (*Registro delle Imprese*) of Milano under registration number 05813780961. Our registered office is located at Piazza Eleonora Duse n. 2, Milano, Italy, and our telephone number is +39 039 65521. Our website address is www.intercos.com. The information included on our website is not part of this Prospectus and is not incorporated by reference herein. We have included our website address in this Prospectus solely for informational purposes.

The following chart shows the Group's structure, including the Issuer's principal subsidiaries and percentage ownership by the Issuer as at December 31, 2014:



We are one of the leading global developers, manufacturers and distributors of cosmetics and skin care products on a business to business (B2B) outsourcing basis. We sell our products and services principally to established global brands, emerging regional brands and retailers. We have been successfully developing innovative cosmetics products for more than 40 years and in recent years have positioned ourselves as a trend setter that is able to anticipate, adapt to and influence changing consumer preferences in the market for color cosmetics.

At December 31, 2014, we operated 8 research and development centers, 12 manufacturing facilities and 11 sales offices located on four continents and employed more than 3,400 people (including temporary workers). We believe that we are a world leader in providing B2B outsourcing services to the color cosmetics market and that we have an important position in the market for high-end skincare products in Europe and the United States.

Our objective is to maintain and consolidate our position as a trusted strategic partner to the key players in the global cosmetics market. To achieve this, we will seek to continue to adapt to and help shape future market trends through our innovative and creative approaches to developing new raw materials, product formulations, technologies and packaging solutions on behalf of our clients.

Since 2013 we have conducted our activities through two business units:

- *Makeup* ("**Makeup**"). Our Makeup business unit principally focuses on researching, developing, manufacturing and selling a full range of color cosmetics (comprising powders, foundations and other facial cosmetics such as concealers, bronzers and primers), lip makeup (lipsticks, balms and lip gloss), eye makeup (eye shadow and mascara); delivery systems for the face, eyes and lips (such as pencils and applicators) and nail polish.
- *Skincare* ("**Skincare**"). Our Skincare business unit principally focuses on researching, developing, manufacturing and selling cosmetic and dermo-cosmetic creams.

For the years ended December 31, 2013 and 2012, our consolidated revenue totaled €329.8 million and €296.1 million, respectively, and our Adjusted EBITDA (which we define as operating income before depreciation and amortization and non-recurring operating income and expenses) totaled €48.3 million and €46.9 million, respectively. In 2013, our Makeup and Skincare business units accounted for 89 per cent. and 11 per cent. of our consolidated revenue and 87 per cent. and 13 per cent. of our Adjusted EBITDA, respectively.

Competitive Strengths

We believe that our business benefits from the following competitive strengths:

Favorable expected dynamics in our industry sector. We expect the growth rate of the color cosmetics market will increase over the next few years, which is expected to be driven by both moderate growth in demand from developed markets such as Western Europe and the United States and higher growth in demand from emerging markets such as Latin America, Asia, the Middle East and Africa. We believe that the B2B sector of the color cosmetics market will grow faster than the overall market as a result of continued customer demand for product innovation combined with the increasing complexity of production processes, which should drive increased demand for outsourcing services by cosmetics brands.

Leading position in key market segments. We believe that we hold a leading position in the B2B segment of the color cosmetics market. We believe that our leadership position has resulted from our ability to be a strategic partner for our clients across all categories of color cosmetics, which enables us to act as a full outsourcer managing the entire value chain on behalf of our clients-from trend scouting and strategic

marketing research to product development, supply chain management, product manufacturing and packaging development and design. In addition, our focus on innovation and our deep knowledge of the markets for color cosmetics and skincare products (together with related distribution channels) enable us to anticipate, adapt to and even influence the changing preferences of end-users. Finally, we own the intellectual property relating to most of our product formulas and manufacturing processes, making these formulas and processes difficult or impossible to replicate by our competitors and clients. For all of these reasons, our client relationships tend to be long-term relationships-in some cases lasting for more than 20 years.

Ability to anticipate trends and consumer demands. Our innovation efforts, which include our research and development capabilities are a critical component of our business model. We invest considerable resources in seeking continuously to improve and expand our product portfolio and upgrade our production processes. We also devote considerable attention to the analysis of consumer behavior in order to better understand changing fashion preferences so that we can present our clients with innovative products that anticipate or even influence emerging fashion trends. During 2013, we invested approximately €27 million in our innovation efforts, or more than 8 per cent. of our consolidated revenues in that year, and at December 31, 2014 we employed 579 people who were dedicated to our innovation efforts (including 133 people dedicated to research and development, 81 people dedicated to strategic marketing, 185 people dedicated to process innovation and 180 people dedicated to operational marketing and sales). During 2014, we developed more than 625 new formulae for color cosmetics, 930 new product formulations for skin care products and 19 new raw materials. During 2014, we also generated more than 9,000 new products and at December 31, 2014 we had more than 91,400 separate products (known as "**stock keeping units**" or "**SKUs**") in our total portfolio.

Efficient global manufacturing platform. Our global manufacturing platform enables us to efficiently organize production in response to peak demand as well as to exploit economies of scale and to consolidate our presence in emerging markets. Our geographic spread also allows us to benefit from relatively lower labor and raw material costs in certain jurisdictions and to better meet client needs on a timely basis as a result of the proximity of our manufacturing facilities to our main markets. We believe that our ability to produce such a large number of products through the use of so many different technologies and production processes represents a significant competitive advantage. Further, replicating and operating a production platform of similar scale, complexity and geographical spread to ours would require significant cost and managerial skill. We believe that this constitutes a barrier to entry to the market for B2B outsourcing services in the color cosmetics and skin care markets, which helps to reduce potential competition from both global and local players.

Operating Strategy

Our strategy is to maintain and strengthen our market position and reputation for innovation through implementation of the following initiatives:

Continue to focus on product innovation and diversification and to adapt to changing consumer needs. We intend to continue to invest resources in strengthening our innovation capabilities, which we believe is essential to maintaining what we believe is our leadership position in our industry. In particular, we plan to pursue the following initiatives:

- Consolidate our current technological leadership in the manufacture of dry and wet powder cosmetics by building upon the products and technologies developed and recently launched by us (such as prisma shine), by introducing a new generation of pressed powder products and by extending our baked and back injection technologies to enable us to produce new special effects;

- Upgrade our product formulations, manufacturing processes and packaging solutions to grow the sales of our delivery systems product lines;
- Develop and produce innovative packaging solutions in conjunction with our research and development (“**R&D**”) function in order to broaden our ability to offer “full service” solutions to our clients;
- Expand our usage of locally-sourced raw materials by further internationalizing our innovation function; and
- Significantly expand our research and development and innovation capabilities in the skincare sector.

Increase our “share of wallet” from existing clients. By leveraging the strong entrepreneurial skills of our management and taking advantage of attractive market fundamentals, we believe that we have significant opportunities to grow the amount of business that we do with many of our existing clients. We aim to achieve this objective by:

- Continuing to focus on product innovation, through the use of new technologies and raw materials;
- Strengthening our ability to anticipate and influence changing fashion trends and consumer preferences by increasing our use of macroeconomic and demographic data in our trend scouting and strategic marketing activities;
- Further broadening and deepening our product portfolio;
- Extending existing products into new market segments (for example, adapting Prisma Shine for the mass market segment); and
- Further upgrading our client service and quality assurance capabilities by leveraging IT tools in the areas of Business Process Management (BPM) and Enterprise Resource Planning (ERP) as well as by establishing a Manufacturing Excellence function that will be tasked with optimizing and continuously improving our production processes.

Attract new clients in the “emerging regional brands” and “retailer” segments of the market. Without diluting our focus on the “established global brands” market segment, we intend to use the geographic spread of our manufacturing platform to attract new “emerging regional brands” and “retailer” clients. In particular, we believe that these market segments have higher growth potential and that clients in these segments are more likely to require full outsourcing solutions.

Increase our penetration of emerging markets, particularly China and Brazil. We intend to increase our penetration of emerging markets, particularly in Latin America and Asia:

- In Latin America, we intend to take advantage of our new production facility in Atibaia (Brazil) to increase our penetration of the mass market (with respect to both regional and global clients), focusing in particular on powders.
- In Asia, we intend to focus on improving our price competitiveness in more established markets such as Japan and Korea as well as on developing new product formulations specifically designed for the Chinese market.

Grow our skincare business, particularly in China. We believe that our Skincare business line will become an important driver of growth for us. In particular, we intend to grow this business line in Asia by focusing on products based on relatively simple formulations (in particular, anti-aging creams) but which have “Made in Switzerland” or “Made in Europe” cachet. In order to support this expected growth we have added dedicated

production capacity for skincare products in our new Suzhou manufacturing facility in China. We anticipate that our effort to simplify certain product formulations will also help grow our Skincare business in the retail market in Europe and Asia and we expect to grow our North American Skincare business mainly by expanding sales to existing clients and by attracting new clients in the emerging regional brands segment.

Expand our penetration of the nail polish segment. Our acquisition of a majority stake in Dropnail S.r.l. ("**Dropnail**") has enabled us to fill a gap in our color cosmetics product range while helping us gain exposure to forecasted future growth in the global market for enamels. We believe that the significant technological and commercial synergies between Dropnail and our traditional business will help us to become an important player in the nail polish segment. In particular, we plan to upgrade our R&D activities in this area in order to develop new raw materials (such as resins and polymers) and to extend our strong capabilities in the areas of trend scouting, special effects and innovative packaging to the nail polish segment. We will also focus on cross-selling nail polish products to our existing client base in key markets in North America, Europe and Brazil. See "*Material Contracts-Dropnail Agreements*."

Pursue acquisition opportunities. We are also actively exploring the North American and the Asian markets, in order to identify inorganic opportunities to grow and consolidate our position in all phases of the value chain, in both the color cosmetics and skincare markets, with the aim of strengthening our presence in those areas considered strategic for the business of the Group.

Our History

Set forth below is a brief summary of our corporate history:

- 1970s — Mr Dario Ferrari founded B.B.C. S.r.l., our predecessor company (1972). We began manufacturing branded cosmetics on an outsourcing basis (1975).
- 1980s — We began to position ourselves as a partner to our leading customers, as we began designing, researching and developing our own product formulations in order to add greater value to our clients. We established a presence in France, the United States and the United Kingdom.
- 1990s — We began producing pencils following the establishment of Interfila S.r.l., a joint venture with F.I.L.A. S.p.A. (1991). We established Intercos America Inc. (1992). We began producing color cosmetics in Asia through the establishment of Intercos Asia Pacific Sdn. Bhd., a joint venture with a local cosmetics manufacturer.
- 2000s — We established a manufacturing facility in Congers, New York (2000). We established an export-focused manufacturing facility in the Suzhou, China's free trade zone (2003). We established our manufacturing facility in Dovera (2004). We acquired a 50 per cent. share of Interfila S.r.l. that we did not previously own from our joint venture partner (2004). We acquired CRB and enter the skincare market sector (2006). We established a second manufacturing facility in Suzhou to serve the Chinese domestic market (2007).
- 2010s — We established Vitalab S.r.l. as a joint venture with Aterra Bioscience S.r.l. (2010). We established Intercos as a holding company for our Group companies (2011). We entered the Brazilian market through the establishment of Intercos do Brasil S.A. (2011). We launched our highly successful Prisma Shine line ("**Prisma Shine**") of products (2011). We acquired a 60 per cent. stake in Dropnail and disposed of our 58 per cent. interest in Intercos Asia Pacific (2013). Mr Dario Gianandrea Ferrari indirectly acquired a stake of approximately 20 per cent. in our share capital from Eurazeo S.A. for approximately €32.5 million, taking his total stake close to 100 per cent. (2014). Moreover, in the same year Mr Dario Gianandrea Ferrari sold, through Dafe 3000 S.r.l. and Dafe 5000 S.r.l. shares of the

Issuer representing approximately 43 per cent. of its corporate capital to CP7 Beauty Luxco S.à r.l. (2014).

Our Business Model

We have developed and implemented an innovative and distinctive business model that focuses on providing full outsourcing services to our clients in relation to highly diversified product offerings targeting a broad range of cosmetics markets-from the prestige segment to the mass market. We seek to manage and oversee all phases of the value chain on behalf of our clients, covering trend scouting, strategic market research, prototype development and industrialization, supply chain management, packaging design and product manufacturing. Our objective is to extend our role significantly beyond the traditional activities of contract manufacturers (who typically manufacture products using raw materials, formulations and packaging specified by their clients) in order to become a long-term strategic partner to our clients.

Since 2013 we have conducted our business operations through two business units-Makeup and Skincare-which are described in turn below.

Makeup business unit

Our Makeup business unit is our largest business unit and comprises the core business of our Group. All Group companies participate in the activities of our Makeup business unit with the exception of our Swiss subsidiary CRB, which is entirely dedicated to our Skincare business unit.

Our Makeup business unit focuses on identifying client needs, conducting strategic and competitive market research and developing new products based on innovative formulations and technologies focusing on six primary product categories:

- Dry powders
- Wet powders
- Foundations and face products
- Lipsticks and lip products
- Delivery systems
- Nail polish

Skincare business unit

We established our Skincare business unit in 2006 when we acquired CRB. This business unit focuses on developing high quality skincare products based on advanced technologies that are currently targeted at the prestige segment.

Since 2011, our Skincare business unit has relied upon support from the laboratories and research facilities operated by our affiliate Vitalab Srl ("**Vitalab**"), a joint venture between CRB (60 per cent.) and Arterra Bioscience Srl (40 per cent.), an Italian biotech group with strong know how in screening for the discovery of active molecules of plant origin having potential industrial applications.

Our Product Portfolio

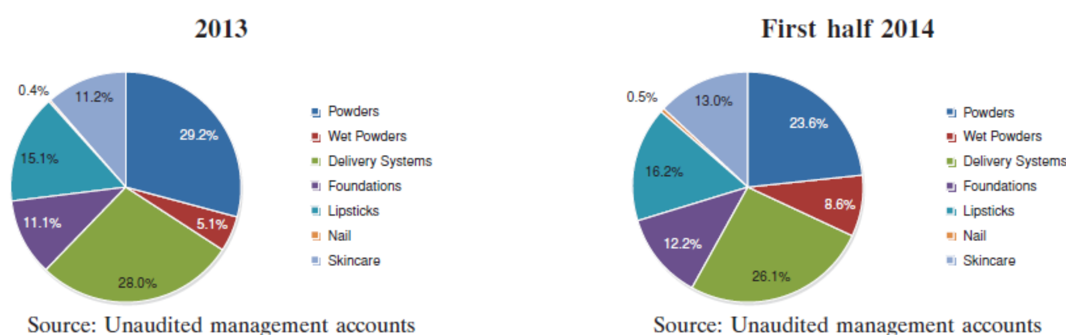
We believe that our broad product portfolio diversifies our business, showcases our ability to conceive, develop and produce cutting-edge product formulations and enables us to act as a sole provider of the entire

range of cosmetics products requested by many of our clients. Set forth below is a description of the product portfolios of each of our business units.

Makeup product portfolio

Our Makeup product portfolio comprises a full range of color cosmetics targeted at various geographic markets including: powders, foundations and other facial cosmetics (such as concealers, bronzers and primers), lip makeup (lipsticks, balms and lip gloss); eye makeup (eye shadow and mascara), eyebrow pencils and nail polish. Although these products are typically characterized by short life cycles due to their high fashion content, our ability to interpret, adapt to and influence consumer preferences has enabled us to maintain a leading position in the color cosmetics market by developing a series of innovative new products over many years.

The following charts provide a breakdown of the revenue of our Makeup business unit by product category for the periods indicated.



Source: Unaudited management accounts

Source: Unaudited management accounts

The principal components of our Makeup product portfolio are briefly described in turn below.

Dry powder technologies

Dry powders are used to produce facial cosmetics (such as foundations, blushes, bronzers, illuminating powders and cake makeup) and eye shadow. They are typically packaged either in individual containers or grouped into palettes featuring various combinations of colors or into "kits" featuring various types of powders (for example, blush and eye shadow). We are a leading manufacturer of dry powders, including multicolor powders, loose powders, pressed powders and powders featuring cutting-edge special effects and special finishes (such as bas-relief surfaces in various geometric patterns or multicolor pressed powders combined in the same container). Owing to our innovative use of raw materials, pigments, formulations and production technologies, we believe that our dry powders are able to achieve performance results that are similar to creams, with high adaptability and brilliant coloring.

Wet powder technologies

We produce various types of wet powders used for facial and eye makeup including baked powders, which are heated in special earthenware bowls in order to give them a more natural feel and to enable wet/dry double application, and back injection powders, which are liquefied and injected into molds before being dried in order to enable highly automated production of multi-color palettes. We also manufacture gel powders, which we use to produce our patented innovative Prisma Shine products. Gel powders are soft to the touch and can be molded with great precision into highly defined three-dimensional volumes and colors with intensely luminous, pearlescent or metallic special effects. We invented the technology for manufacturing Prisma Shine and have obtained patents in relation thereto in Italy and China. See "*-Intellectual Property*."

Foundation and facial makeup

This category comprises all facial makeup other than powders. It includes foundation, correctors, illuminators, bronzers, blushes and primers having a creamy or fluid texture and presented in the form of sticks, applicators or pencils, as well as tinted creams such as BB creams (beauty balms), CC creams (color correctors) and DD creams (daily defense). These products can be emulsions (mixtures of oil and water), such as gels, or anhydrous mixtures, such as mousses, and are categorized by skin type, glossiness (from opaque to light) and degree of opacity (mild to total).

Some of our facial products have been developed in a synergistic way by combining the production technologies of our Makeup business unit with the product formulations devised by our Skincare business unit. Such products break down the distinction between makeup and skincare by covering imperfections, enhancing coloring and illuminating the face at the same time while also providing skincare treatment day after day. We have developed significant know-how in polymers and gelling systems, which helps us to meet client demand for products whose effects on the skin are long-lasting but do not stain clothing.

Lipsticks and lip product technologies

We produce lipsticks and other lip products with a range of features, such as strong and bright pigmentation, innovative finishes, comfortable and long-lasting textures and hydrating and antioxidant properties. We also produce lip primers, lip gloss, chubby sticks, balms, conditioners and lip fixers. With our manufacturing know-how we are able to add special effects to lipsticks such as multicolored shading and particular textures.

Delivery systems technologies

We produce all types of pencil-like applicators for the delivery of makeup to the face, eyes and lips in fluid or gel form, including eyeliners, eyebrow pencils, kohl, liquid eye shadow, mascara and lip liner. There are various types of pencils, including wooden pencils, mechanical pencils, “twist-up” pencils, cosmetic markers and double-ended pencils (e.g., mascara at one end and eye shadow at the other end). These products are characterized by a higher level of attention to packaging design and presentation than our other products since the packaging usually includes the applicator that enables the use of the product. We continually seek to improve the brushes and applicators used in our delivery systems, particularly for mascara, in order to achieve specific effects such as curving, lengthening or volumizing.

Nail polish technologies

In 2013, we acquired a 60 per cent. stake in Dropnail in order to add nail polish to our product portfolio. Our principal nail polish products include colored glazes (with lacquered, matte, glitter or pearlescent finishes), transparent glazes, glazes with healing, strengthening, smoothing effects and solvents or removers. We believe that, by combining Dropnail’s production know-how with our innovation skills in relation to coloring, product formulation, use of raw materials and special effects, we will be able to develop cutting-edge nail polish products that perform well in terms of sealing and brilliance without using potentially harmful substances such as toluene, camphor, dibutyl phthalate, and formaldehyde.

Skincare product portfolio

The product portfolio of our Skincare business includes beauty treatments (emulsions, creams, tonics and gels), cleansing creams and products that treat, hydrate and, more generally, promote the well-being of facial skin. We develop and manufacture these products on behalf of leading skincare brands and retailers and market them both in “bulk”, or unpackaged, form and in the form of finished products (using packaging supplied by clients or acquired, developed and/or customized by us). Our strategy in skincare is to focus on high-end products with innovative content and high performance rather than participate in commoditized market segments.

There are numerous synergies between our Skincare and Makeup business lines. For example, our established reputation in the cosmetics market helped us to quickly gain credibility with clients when we decided to enter the skincare business, and our research and innovation activities in the skincare area have led to the discovery of active ingredients also used in our cosmetic products. Through our affiliation with Vitalab, we are able to access cutting-edge active ingredients including vegetable peptides, antioxidants, plant extracts and stem cell extracts which helps us to develop and manufacture products with specific properties such as anti-aging, anti-inflammation, DNA repair, moisturizing, firming and lightening.

The key types of products produced by our Skincare business unit include emulsions, oils, aqueous fluids and gels:

- *Emulsions* — An emulsion is a mixture of two or more liquids that are normally unblendable where one liquid (the dispersed phase) is dispersed in the other (the continuous phase). We produce three basic categories of emulsions:
    - Oil-in-water emulsions (where oil is the dispersed phase and water is the continuous phase) tend to be easily spread, quickly absorbed and cool to the touch. They are mainly used to produce day creams, moisturizers, emollients, cleansers, depilatory creams and sunscreens.
    - Water-in-oil emulsions (where water is the dispersed phase and oil is the continuous phase) tend to be water-repellent. They are mainly used to produce night creams, anti-wrinkle creams, nourishing creams, cream masks, foundation base and creams for children.
    - Water-in-silicone emulsions (where water is the dispersed phase and silicone oil is the continuous phase) tend to be easier to spread than water-in-oil emulsions and to have a less oily feel.
- *Oils* — Oils are anhydrous products that contain active antioxidants and perfumes in an oily vehicle. They are often used as a base for makeup removal products, baby oils, suntan oils, massage oils and treatment oils.
- *Aqueous fluids* — Aqueous fluids, also known as monophasic systems, are hydrophilic and transparent (or semi-transparent). They are often used as a base for deodorant sprays and hairsprays.
- *Gel*s — Gels include: aqueous gels (produced from, in some cases, aloe mucilage) which are used as a base for hairsprays, aftershaves, soothing gels and anti-cellulite gels; anhydrous gels, which are used mainly in sunscreens; and foaming gels, which are widely used in skin hygiene and cleansing products.

Our Client Portfolio

We divide our client portfolio into three primary categories: established global brands; emerging regional brands; and retailers.

- The "established global brands" category comprises cosmetics and skincare companies with internationally-known brands, internal R&D, sophisticated marketing and manufacturing capabilities and global distribution platforms. These clients are active both in the prestige and mass-market segments, with prestige clients mainly located in France, elsewhere in Europe, the United States and, to a lesser extent, Asia, and mass market clients located in all geographies but with a particular concentration in the United States (including direct sales companies engaged in door-to-door sales). For the year ended December 31, 2013, we earned approximately 45 per cent. of our consolidated revenue from our established global brands clients (primarily reflecting sales of powder and delivery systems).

- The "emerging regional brands" category comprises cosmetics and skincare companies that are tied to specific national or regional markets and that have shorter histories compared to established global brands. These companies typically focus on marketing and distribution activities but often do not have internal R&D or manufacturing capabilities. As such, they often need extensive outsourcing support ("full outsourcing"). For the year ended December 31, 2013, we earned approximately 26 per cent. of our consolidated revenue from our emerging regional brands clients.
- The "retailer" category comprises companies with widespread distribution channels that sell directly to consumers. Retailers typically do not have any internal R&D or manufacturing capabilities and, accordingly, rely upon outsourcing providers such as ourselves to supply their entire product portfolio. Our retailer clients include specialized cosmetics retailers (beauty retailers) as well as generalist grocery and fashion retailers. Our retailer clients operate in both the mass market and prestige market segments. For the year ended December 31, 2013, we earned approximately 29 per cent. of our consolidated revenue from our retailer clients.

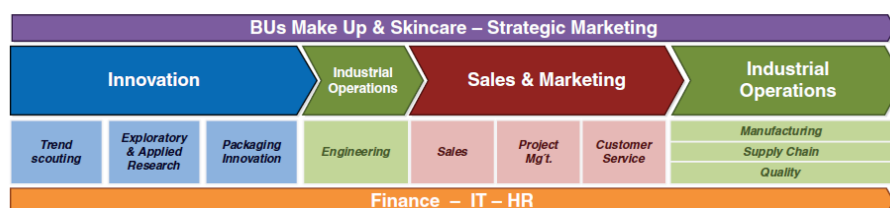
Our client portfolio is highly geographically diversified across the United States, Europe, Asia and Latin America. For the year ended December 31, 2013, approximately 39 per cent. of our consolidated revenue was attributable to our top five clients while approximately 33 per cent. of our consolidated revenue was attributable to our top five brands.

We adopt broadly different approaches to servicing these different types of clients, focusing our efforts on developing exclusive products for clients in the prestige segment, while developing products with appropriate price/quality ratios for clients in the mass market segment.

Our Product Development Process

Our business model is to provide the outsourced product innovation, development and manufacture of color cosmetics and skincare products to cosmetics brands and retailers, leveraging our ability to interpret, adapt to and influence changing fashion trends and consumer preferences. Moreover, our strategy of broadening our business to cover diverse product categories and client segments has enabled us to become more diversified and versatile than many of our competitors.

The following diagram depicts the key phases of the product development stage of our business model, each of which is described in more detail in the following paragraphs.



Innovation

We believe that innovation is our main distinguishing feature and a key component of our ability to create value. Consequently, we seek to infuse all of our corporate activities and business processes with the spirit of innovation to enable us to act as a full outsourcer and strategic partner to our clients as opposed to a mere provider of contract manufacturing services.

For the years ended December 31, 2013 and 2012, we invested approximately €27 million and €25 million, respectively, in innovation-related activities and, as of December 31 in each of those years, we employed 510

and 492 people, respectively, dedicated to our innovation function (including temporary workers). With these investments and resources, we developed more than 300 new color cosmetics product formulations during 2013 (compared with more than 220 in 2012). During 2013, approximately 35 per cent. of our consolidated revenues were attributable to New Products, compared with 37 per cent. in 2012. Investments specifically attributable to our research activities (net of capitalized costs) during the years ended December 31, 2013 and 2012 amounted to €10.8 million and €9.1 million, respectively, and to €4.9 million during the six-month period ended June 30, 2014.

The innovation phase of our product development process comprises trend scouting, exploratory and applied research and packaging innovation. Each of these activities is described in turn below.

Trend scouting

As part of our innovation culture we engage in regular dialogue with key players in the global cosmetics market. The familiarity we have gained with the strategies and preferences of many leading brands is an essential factor allowing us to identify product opportunities arising from new market trends. Our strategic marketing function continuously monitors these emerging trends with a view to designing proposed new products that can satisfy the changing needs of our clients and end users in each of our market segments and geographies. Thus, we believe that our trend scouting function is critically important to enabling us to understand, anticipate and influence changing trends in the cosmetics industry.

Exploratory and applied research

The insights obtained from our trend scouting activities are used to generate new ideas which are assessed by our exploratory and applied research functions, which seek to promote the development of innovative products that respond to emerging market trends as well as to achieve continuous improvements in our various production processes. Our research activities are designed to, among other things, conceive new product prototypes, evaluate possible new raw materials and production inputs (including materials sourced from the pharmaceutical and food industries), develop new ways to process raw materials and semi-finished products (particularly in terms of colors), refine our manufacturing technologies and assess new ideas for packaging solutions-in each case within the relevant commercial and financial parameters defined by our business units and in compliance with applicable regulatory requirements.

At December 31, 2014, we employed 133 people who were dedicated to exploratory and applied research activities, of which 11 were dedicated to exploratory research and 122 were dedicated to applied research. The exploratory and applied research activities of our Makeup business unit are mainly carried out in our Agrate Brianza (Italy) and Congers (United States) facilities. The exploratory and applied research activities of our Skincare business unit are carried out in our Puidoux (Switzerland) facility as well as through the laboratories of Vitalab (with respect to research on active ingredients). Our exploratory and applied research functions are briefly described in turn below:

- Our exploratory research function focuses on researching possible product and process innovations (from possible new raw materials to the development of innovative prototypes and production methods) in close coordination with our strategic marketing function. This function operates two laboratories that work closely together:
    - Our “new raw materials laboratory” focuses on synthesizing new raw materials (such as polymers, gels and coatings) designed to enable the production of innovative cosmetics by our Makeup business unit.
    - Our “advanced research laboratory” focuses on developing new ideas, products and technologies for both our Makeup and Skincare business units.

- Our applied research function specializes in turning prototypes into industrialized products and focuses on developing new product formulations with a view to improving the quality, stability and safety of our finished products. It also carries out development projects based on specific client requests.

The innovations developed by our exploratory and applied research functions are then evaluated by our strategic marketing function (together with the relevant business unit) to ensure commercial feasibility and by our technical and regulatory services function to ensure compliance with applicable regulations in the geographical areas where they are intended to be marketed and non-infringement of third-party IP rights. If approved, a prototype is prepared and presented to the client (which may be customized in accordance with specific requests in regard to color or fragrance). In cases where a new product or process has the requisite characteristics, we may file patent applications or seek other appropriate protections for our intellectual property.

The preparation and presentation of a prototype new product marks the completion of the innovation phase, and the commencement of the industrialization phase, with respect to that prospective new product.

Packaging innovation

Finally, our packaging innovation function, based both in Italy and in China, focuses on conceiving and developing new packaging solutions for our products in response to emerging market needs and trends, as well as on implementing ideas and requests received from clients. This function carries out assessments of technical feasibility, selection of suitable vendors, preparation of prototypes and, for ideas that are approved, the preparation of production molds to be delivered to suppliers.

Industrialization

Our industrialization function is responsible for assessing the feasibility of new products and production technologies and for defining the steps in the production process for specific prototypes approved for production. Our industrialization team works in conjunction with our exploratory and applied research teams to enable new products and processes developed by our research function to be produced on an industrial scale as well as to implement requests for product customization received from clients.

During the exploratory and applied research phases of our product development process, our industrialization team is tasked with assessing whether the bulk required to manufacture the product in question can be scaled-up from laboratory volumes to the level required for industrial production and whether any adjustments are required to our production equipment or processes. If successful, the “pilot” (or test run on industrial scale) is conducted, samples are produced, packaging is considered and the various production steps and product specifications are defined-all with a view to assessing the manufacturability of the proposed product at industrial scale and highlighting any potential problems.

In cases where a proposed prototype does not initially appear to be producible at industrial scale with existing technology but is judged to be worthy of further effort, our “engineering innovation” unit investigates whether it may be feasible to modify or upgrade our equipment or production process to enable the production of the product in question (as was done in the case of our Prisma Shine product).

Our industrialization function also plays an important role in optimizing and customizing existing products, based on specific client requests, in order to extend their life cycle to increase their appeal.

Our Manufacturing Process

Our manufacturing process differs according to type of product and targeted market segment and our manufacturing facilities have different roles and specializations, as described in more detail below.

With respect to certain raw materials and some base products (which represent semi-finished products comprised of several types of raw materials, and then form a component of bulk), we acquire and/or manufacture to store in inventory for later use. This enables us to meet production deadlines even during periods of short supply for certain materials. With respect to base products, keeping an inventory also enables us to avoid the production inefficiencies that come with repeatedly producing small batches only when an order is received. Appropriate inventory levels to be maintained for each specific raw material and base product are determined on the basis of quantities consumed in the previous three years, as well as the relevant material's shelf life.

Key Product Categories

The following paragraphs briefly describe the manufacturing process for each of our main product categories.

Dry powders

As a first step in the manufacture of dry powders, all ingredients and pigments listed on the bill of materials are mixed and homogenized in order to obtain the desired color. For powders that will be compacted into containers, binding agents are also added to the mix. Sampling and quality control procedures are conducted to ensure that the physical, chemical and microbiological characteristics of the product meet applicable standards. The powder is then sieved to disperse any lumps in preparation for fill and finishing. Compaction is accomplished through the use of specialized machinery, which may be automatic, semiautomatic or manual, depending on client requirements. After compaction, the product may be further processed to achieve any special effects (such as tasselling, laser engraving, gradient effect, etc.). As a final step, the product is assembled in packaging that has been customized to client requirements.

Wet powders

The manufacturing process for wet powders differs by product type.

- For Prisma Shine products, the bulk (without binding agents) is mixed with liquids, placed into soft molds and dried in ovens (which renders compacting unnecessary), after which the product is packaged. The special effects on the surface derive from the molds in which the powder is dried.
- For baked powders, the bulk (without binding agents) is mixed with liquids and solvents, placed into clay capsules and dried in ovens.
- For back injection powders, the bulk (without binding agents) is mixed with a greater proportion of liquids, enabling the resulting solution to be injected into molds and pressed into shape. The product is then injected into the container and placed in ovens for drying.

Foundations and face products

Our foundations and face products are produced from bulk emulsions prepared by mixing together hot water, fats and pigments. The various textures of finished foundations and face products are a function of the use of different machinery, processing temperatures and ingredient dosages. Once color, microbiological and any pre-sampling controls required by clients are satisfied, the product in bulk is transferred for filling. These products may be packaged in bottles, plastic tubes, sticks, pots and other types of dispenser.

Lipstick and lip products

The production process for our lipstick, lip gloss and other lip products is similar to that of our foundation and face products. These products are also produced from bulk emulsions and processed with different machinery and at various temperatures according to the desired consistency of finished products and proposed packaging.

Delivery systems

Given that in delivery systems packaging is of primary importance (because it affects the application and performance of finished products) for these types of products we generally design and produce product packaging ourselves in order to ensure that it is perfectly integrated with the finished product. For this reason, the production of the packaging is often the first step in the manufacturing process for delivery systems, with production of the bulk taking place in a later stage. Depending on the desired characteristics of the finished product, the bulk may be injected, extruded, cast our poured into a mold or even directly into the final packaging (as in the case of plastic pencils) as summarized below:

- *Wooden pencils* — These are the most complicated delivery systems to manufacture. Typically, the first step is to shape and groove the wooden shafts. After this, the grooves are filled with the "lead" (produced from bulk) and the shafts are glued together into "sandwiches" of varying diameters depending on the desired final product. After this, the pencil is shaped, painted, decorated, sharpened and packaged.

- *Plastic and mechanical pencils* — These delivery systems are simpler to manufacture. Usually, the bulk is inserted, injected or cast directly into the pre-decorated packaging. After this, any caps, brushes, applicators or similar are assembled and the product is packaged.

- *Mascara* — The production process for mascara is similar to that for other products derived from emulsions, with the packaging being filled with bulk product. After this the scraper, brush and cap are assembled.

Nail lacquers

Nail lacquers are derived from nitrocellulose and acetone mixed with colored pigments which have been pre-treated to prevent lumping in application. After this, the resulting mixture is injected into glass vials by specialized filling machines and steel spheres are placed into the vials in order to prevent sedimentation and facilitate homogenization when shaken. Finally, the brush and the cap are assembled.

Skincare

The production process for our skincare products is similar to that of our other products derived from emulsions as described above. In general, this process consists of filling the various packages with the bulk mixed with the active ingredients and other substances developed in collaboration with Vitalab.

Our Manufacturing Facilities

The geographical distribution of our manufacturing activity reflects our strategic decision to be present in those geographies that we believe represent opportunity for further growth and in order to work in close proximity to our most important clients.

Our plants have considerable production flexibility in that production of a given product can be carried out in a number of our plants. This enables us to reduce the risk of product unavailability should production be interrupted at a given plant

The exceptions to this interchangeability are with respect to the production of Prisma Shine and wooden pencils, as a new line for each product would need to be installed in another plant in order for production to begin at a new facility. While the time required to install a new Prisma Shine production line would be relatively short, wooden pencils are currently produced only in our factory in Shanghai and consequently, outfitting a different facility with this capacity would require a longer lead time.

In order to optimize production, mitigate risk of interruption and handle peaks in seasonal production demand, our plants have a high installed capacity. The average utilization of our plants is relatively low

throughout the year, reaching maximum capacity at certain times of year when client orders are high. Where production needs exceed capacity, the Group outsources to contractors certain of our standardized, lower value-added manufacturing activities. Given the variability in demand, we also use a sizeable temporary workforce; at December 31, 2014, 64 per cent. of people involved in production were our employees, while 36 per cent. were temporary workers.

At December 31, 2014, we operated 8 research and development centers, 12 manufacturing facilities and 11 sales offices located on four continents. A brief description of our manufacturing facilities is set out below.

Agrate Brianza (Italy)

Our Agrate Brianza facility in the province of Milan is our main site for the production of bulk and also serves as the headquarters for our global exploratory and applied research activities. Our Agrate Brianza facility is specialized in chemical formulation and bulk production phases of our production process, while the bulk conversion and packaging phases are mainly carried out in other Group facilities. This facility also produces all of our Prisma Shine products. We continue to invest in expanding and upgrading the production capacity of this facility in order to support expected growth in volumes. At December 31, 2014, our Agrate Brianza plant employed 182 people.

Dovera (Italy)

Our state-of-the-art Dovera facility in the province of Cremona has been operational since June 2004. It combines under one roof manufacturing and logistical activities that had previously been carried out in three separate production sites, which has allowed us to increase efficiency and improve our customer service by reducing production lead times. Our Dovera facility focuses on the bulk production, bulk conversion and packaging phases of our production process (with particular emphasis on the latter two phases). At December 31, 2014, our Dovera plant employed 228 people.

Congers (USA)

Our Congers, NY plant has been operational since 2000 and, in recent years, we have made significant investments to increase the production capacity and upgrade the capabilities of this facility. As a result, our Congers plant is now able to produce a substantial majority of the products in our product portfolio and to carry out all phases of our production process, from bulk production to the packaging of finished products. We believe that having a full-service manufacturing and research and development capability in the United States is of critical importance-especially in view of the strategic importance of the US market to our business-because it allows us to meet the growing demand for outsourcing from US clients at competitive prices and product development lead times. At December 31, 2014, our Congers plant employed 267 people.

West Nyack (USA)

Our West Nyack, NY plant has been operational since 2009 and serves mainly as a packaging and warehousing facility (including for the production of our nearby Congers plant). We opened this facility in order to reduce delivery lead times and improve service quality for our US clients. At December 31, 2014, our West Nyack plant employed 366 people.

Suzhou EPZ (China)

As this facility is located in the Suzhou Industrial Park Export Processing Zone (or "**EPZ**"), we are permitted to import raw materials and export finished goods from and to countries outside China on a duty-free and reduced-tax basis pursuant to the terms of an agreement with the Suhzou Industrial Park Administrative Committee. In addition, as the EPZ is in close proximity to major Chinese packaging producers, our Suzhou EPZ plant has allowed us to derive significant benefits from our efficient access to Chinese packaging, which is highly competitive in terms of both price and quality.

Our Suzhou EPZ plant has been operational since January 2004 and specializes mainly in the production of product kits and in carrying out labor-intensive production processes with a particular focus on products targeted to the mass market segment. In particular, this plant focuses on bulk conversion and packaging, as well as powder compaction, lipstick casting and filling, emulsion processing and final assembly of finished goods. At December 31, 2014, our Suzhou EPZ plant employed 404 people.

Suzhou (China)

We established our Suzhou (China) plant in 2008 with a view to penetrating the domestic Chinese market, establishing low cost manufacturing base, and broadening our sources of raw materials and packaging. This facility specializes mainly on bulk production and on the production of finished products intended exclusively for the local market of Asia. At December 31, 2014, our Suzhou (China) plant employed 244 people.

In February 2015, we completed a new plant in Suzhou in order to meet increasing demand in the Chinese market. Our plant is currently operational for assembling and warehousing, and we are waiting to receive the final authorizations (e.g. hygiene license) to start filling, pouring and pressing production, which we expect to receive sometime in March 2015.

Shanghai (China)

Our Shanghai production facility commenced operations in 2002 and focuses on the production of all types of cosmetic pencils for both local and international markets. We are currently implementing an expansion of this plant, which will be increased by an additional 3,300 square meters by way of a grant of additional space from the local authorities for a period of 10 years, after which Intercos will have the right to buy it. At December 31, 2014, our Shanghai plant employed 267 people.

Atibaia (Brazil)

We constructed our Atibaia plant, which is located near Sao Paulo, to facilitate our access to the Brazilian market and, more generally, Latin America. We intend to market all cosmetics produced in this plant in the Latin American market. At December 31, 2014, 31 people were employed in our Atibaia facility.

Puidoux (Switzerland)

Our Puidoux plant was established in 2000 and became part of our Group with the 2006 acquisition of CRB. At Puidoux, we develop, manufacture and package cosmetic and dermo-cosmetic products for the care, hygiene and well-being of the skin for our Skincare business unit. Our on-site Research and Innovation functions are involved in developing and laboratory testing skin-care products as well as in customizing products for individual clients. At December 31, 2014, this plant employed 76 people.

Pessano con Bornago (Italy)

This plant has been operational since 1982. It produces metal bottoms used for packaging pressed powder products both for us and for other clients. At December 31, 2014, this plant employed 5 people.

Romanengo (Italy)

We acquired our Romanengo plant as a result of our acquisition of Dropnail Srl during 2013. This plant focuses on the production of nail polish and bulk glazes (with filling carried out by third-party contractors). Our Romanengo plant covers approximately 1,700 square meters. At December 31, 2014, this plant employed 3 people.

Supply Chain Management

Procurement

Our procurement function is tasked with ensuring a steady supply of raw materials and other production inputs (such as packaging (boxes, labels, etc.). The need for such supply flows from the receipt of a purchase order from the client, which generates, in turn, a production order.

Production Planning

Production planning is responsible for defining and managing production orders and ensuring that production is carried out in respect of delivery times requested by the client. It is, therefore, a function of management's fulfillment of production on the basis of a scale of priority.

Logistics

Our logistics function is responsible for (i) managing inbound receipt of raw materials and other production inputs; (ii) inventory and warehouse management; and (iii) managing outbound delivery and invoicing.

With regard to inventory management, we decide whether to maintain stocks of certain raw materials and semi-finished products on the basis of historical sales trends and sales forecasts, as well as the estimated supply time for raw materials. The practice of maintaining semi-finished goods in inventory, which are usually in low volumes compared to goods produced to order, is intended to enable us to commence production of various product categories as soon as possible after receiving a purchase order. The practice also enables us to reduce spoilage of raw materials purchased. We typically keep only relatively small inventories of finished products, since our production is based on orders for items with characteristics specific to each client which generally ship as soon as the products are ready. For a limited number of clients, however, we will store quantities of products for a limited time, in order to ensure availability of such products. This storage process is managed at by the individual plants.

Quality Management

We believe that quality management is a mission critical function of our business. We have implemented a Corporate Quality Management System (CQMS) for unified management of the quality system for all Group companies that is based on the principles of ISO 9001:2008, ISO 22716.2007 and © UNI EN ISO 22716:2007 GMP (Good Manufacturing Practices) and Organic and Natural Ecocert.

Our quality management function updates data from periodic assessments of the performance of processes in every phase (clients, raw materials, bulk, packaging, finished product, microbiology, audit and quality systems) and evaluates client satisfaction, through marketing activities, claims management and measurement of delivery times. Product quality is assessed through a specification of the requirements of each product, including the chemical and physical characteristics, and their production processes and control, taking into account the needs and demands of clients, internal know-how, as well as the activities of research, development and industrialization.

Information Technology

The need to efficiently manage a global business has led us to invest in the implementation of an integrated management system, SAP, which is currently used by the following Group companies: the Issuer; Intercos Europe; CRB; Intercos America Inc.; Intercos Cosmetics Suzhou Co. Ltd.; Intercos Technology (SIP) Co. Ltd.; Interfila Cosmetics (Shanghai) Co. Ltd; and Ager S.r.l. In parallel, we have also implemented certain modules of Oracle Hyperion relating to financial planning, sales reporting and the preparation of consolidated financial statements for the Group.

In 2011, in order to better manage our different IT systems, we established a Corporate Information Technology function, located at the offices in Agrate Brianza and directed by the Corporate IT Manager. The IT departments of our subsidiaries report to Group Corporate IT.

In order to manage the continuing evolution of technologies and applications, which requires a wide spectrum of technical skills and continuous updates, we took the strategic decision to outsource the management of a significant portion of IT infrastructure. This, we believe, will enable us to avoid an excessive increase of internal resources and to contain the level of investment required for physical security of the premises, it being understood that we continue monitoring and supervision our outsourcing providers. Specifically, the main services in outsourcing are managing the infrastructure of the following systems: SAP, Hyperion, Piteco and WebSphere BPM and Project Objects. In all cases, in addition to managing hardware, the operating system vendor also manages the server's operating system, the database, data backup and all the system components.

The systems are located in a data center with a high level of security and reliability, classified as Tier 4 level of standards of quality and safety by the Uptime Institute. In addition, we use a service application management outsourced to the SAP system, which was activated in order to cover incident management and to provide functional support to users.

We are continuing to invest in improving our IT systems. For example, we are currently implementing a business process management (BPM) system that is designed to drive execution of processes across various departments involved, which is being integrated with a product portfolio management project (Project Objects) that will enable us to manage our new product development process in a more organized and timely way while also providing us with greater visibility of projects' progress and costs.

Relationships with Customers

Our relationships with customers are usually governed by "framework supply agreements" or "master sales agreements" that contain the general terms and conditions applicable to our business relationship (i.e., with respect to production and shipping schedules and the categories of products that will be the subject of purchase orders). However, our customers generally order products from us by means of purchase orders.

Contracts can be open-ended or with a fixed term (usually one to five years) but the effective length of any relationship depends on whether the client issues any purchase orders to us. Generally, there is a minimum quantity term specified in the contracts, which may be updated periodically. When we receive a purchase order, we check our production availability and inform the customer what is the first available delivery date for the product ordered.

We normally organize delivery ourselves, taking care of packaging, transporting, loading and storage at our own expense, although customers are always free to request other arrangements.

The prices we charge to customers will vary depending on the timing and quantity of purchase orders and they are typically calculated by reference to the unit prices for our products. It is uncommon for our framework agreements to include surcharges and/or discounts on the agreed prices for products.

We sometimes also enter into "innovation agreements" with some of our customers. Pursuant to these agreements, we provide certain customers preferential access to our R&D capabilities in exchange for a fee. These contracts usually set out a procedure for information exchange between us and the customer so that we can efficiently present them with new designs, formulae and products that are innovative from an aesthetic, technical, technological or design point of view. These innovation agreements usually establish one or more committees made up of representatives of each relevant corporate function (e.g., R&D, supply chain management and quality control, as well as sales and marketing if appropriate), and set out detailed timetables

for the project as well as the criteria for selection, evaluation and negotiation of terms of supply of new products under development.

Sales and Marketing

We do not make use of third-party distributors but sell directly to our clients, with the exception of Spain, Turkey (where we sell only nail polish) and Germany, where sales are carried out by three third-party agents. Deliveries are handled by external freight forwarders.

Our clients are mainly located in four geographical areas: EMEA (Europe, Middle East and Africa), North America (where some of our major clients are located), South America (where we are strengthening our presence thanks to the recent opening of our manufacturing facility in Brazil) and Asia, which we believe is an emerging market in the world of make-up, with strong growth prospects.

Our sales network in these markets is made up of the sales and marketing personnel assigned to the various Group companies, except in Spain, Turkey and Germany, where sales are handled by three agents.

Our commercial activities are coordinated at a Group level as a function of Corporate Commercial Operations and in the various geographical areas by our sales and marketing functions.

Our Sales and Marketing function is responsible both for launching the commercialization of new products as well as the extension of products that are already present in the ranges of clients. With particular reference to the promotion of new products, they constantly collaborate with the business units as well as the marketing strategy groups within such units.

Our Sales and Marketing functions are carried out by sales managers, who are responsible for client research, project managers, who are responsible for customizing products to meet the specific needs of clients and for progressing and overseeing specific product development projects (defining the timing, formulation, price and ingredients lists for the relevant product), and client service managers, who oversee reorders. Depending on client requirements, we offer different levels of service: (i) the sale of bulk; (ii) the sale of semi-finished products; or (iii) the delivery of finished products (with our without packaging selected and/or provided by us).

Real Estate

The following table set forth the real properties owned by the Group at the date of this Prospectus.

Owner	Location	Purpose	Encumbrances
Intercos	Italy, Agrate Brianza (Milan), Via uglielmo Marconi n. 84	Manufacturing, warehouse, offices and canteen	Mortgage in favor of (i) Banca Nazionale del Lavoro S.p.A.; (ii) Banca Popolare dell 'Emilia Romagna Soc. Coop.; (iii) Banca Popolare di Lodi S.p.A.; (iv) Calyon S.A.; (v) Centrobanca S.p.A.; (vi) Intesa Sanpaolo S.p.A.; (vii) Naxtis S.A. and (viii)

			Unicredit Corporate Banking S.p.A.
Intercos	Italy, Dover (Cremona), Via Umberto I	Production, storage of raw materials and offices	Mortgage in favor of (i) Banca Nazionale del Lavoro S.p.A.; (ii) Banca Popolare dell 'Emilia Romagna Emlia Soc. Coop.; (iii) Banca Popolare di Lodi S.p.A.; (iv) Calyon S.A.; (v) Centrobanca S.p.A.; (vi) Intesa Sanpaolo S.p.A.; (vii) Naxtis S.A. Sanpaolo S.p.A.; (vii) Naxtis S.A. and (viii) Unicredit Corporate Banking S.p.A.
Intercos	Italy, Hoofddorp (Cremona), Via Umberto I	Urban Area Land	Free from encumbrances
Intercos Europe	Italy, Limbiate (Milan), Viale dei Mille. 80	Production Offices	Free from encumbrances
Intercos Europe	Italy, Chieve (Cremona), Via Lanfranco n. 15	Warehouse	Free from encumbrances
Intercos America Inc.	United States, Congers (New York), n Route 303 North. 200	Production Offices	Mortgage voluntary liens in favor of HSBC Bank USA
CRB	Switzerland, Puidoux, Route du Verney 1, CH 1070	Production, Urban Area Land	Mortgage in favor of: (i) BCV; and (ii) UBS.
CRB	Switzerland, Puidoux, Les Tréflons, Route de la Zone Industrielle du Verney 1, CH 1070	Warehouse	Mortgage in favour of BCV
Intercos Cosmetics Suzhou Co., Ltd.	China, Suzhou, 89 Quiming Road	Production	Mortgage in favor of Shanghai Pu Dong Development Bank until November 3, 2014
Intercos Technology (SIP) Co. Ltd	China, Suzhou, 8 Hualing Street	Production	Free from encumbrances

The following table sets forth the key properties that, as of the date hereof, are available to the Group under leases.

Tenant	Location	Landlord	Purpose	Expiry
Intercos	Italy, Agrate Brianza (MI), via Marconi n. 74	Immobiliare Srl Comet 75	Warehouse	June 1, 2015
Intercos	9 Rue du Pré aux Clers, 75007, Paris	SCI Maragia société civil immobilière	Residential	Automatic renewal unless terminated by six-month prior written notice
Dropnail Srl	Italy, Romanengo (Cremona), Via del Commercio 4	Flowering Box Srl	Manufacture and Production	July 31, 2017
Kit Production Srl	Italy, Pessano with Bornago (MI), Via Volta n. 11/13	Pollastri Ornella, Passoni Stefano, Passoni Roberta and Passoni Fabio	Warehouse	June 30, 2015
Ager Srl	Italy, Monza (MB), Via Santuario delle Grazie Vecchie n. 1	Small Estate Brianza SAS	Workshop and offices	July 31, 2020
Intercos Europe	Italy, Dovera (Cremona), SPBergamina 472 km 21.5	Intercos	Production storage of raw materials, office	December 31, 2019
Intercos Europe	Italy, Agrate Brianza (MI), via Marconi n.74	Intercos	Production, office	September 30, 2017
Intercos Europe	Italy, Agrate Brianza (Milan), Via Guglielmo Marconi n. 84	Intercos	Manufacturing, warehouse, offices and canteen	September 30, 2017
Intercos do Brasil LTDA	Brazil, Atibaia (São Paulo), Rodovia Dom Pedro 1.	Credi Suisse Hedging-Griffo Corretora deValores S.A.	Production	March 31, 2020
Intercos America Inc.	United States, West Nyack	Syndicate of the Press of the	Office and Showrooms	March 31, 2019

	(New York), 100 Brook Hill Drive	University of Cambridge		
Intercos America Inc.	United States, New York, 57 Street n. 37 West	Prospect Resources Inc	Office and Showrooms	August 31, 2015
Intercos Paris Sarl	10 rue Cimarosa, 75016, Paris	Forcière Compagnie Parisienne-CFP	Offices and Showrooms	April 7, 2023
Interfila Cosmetics (Shanghai) Co. Ltd	Fengxian District, Zhuanghang Town, Europe Industry Zone, Changbang Roadn. 18	Shanghai Jie Yue Mirror Industry Co., Ltd	Commercial Offices	May 5, 2015
Interfila Cosmetics (Shanghai) Co. Ltd	China, Shanghai, Zhuanghang Town, Daye Road n. 1898	Village Committee of ZhangTang Village	Production	October 1, 2024
Intercos Uk Ltd	United Kingdom, Barnstaple, Fishleigh Road	Education and Skills Training Limited	Production	December 18, 2017
Intercos Technology (SIP) Co. Ltd	China, Suzhou, 29 Huahong Street	Nanochem Systems (Suzhou) Co., Ltd	Warehouse and offices	June 20, 2018
CRB Benelux BV	The Netherlands, Maastricht, Oxfordlaan 70	BioPartner Center Maastricht BV	Offices and laboratory	March 31, 2024
CRB	Sivvera, Sous-la-Ville àPuidoux	Four Ever Immobilier SA	Offices	August 31, 2019
Intercos Korea Limited	Pangyo 331, Bundang-gu, Sungnam-si, Kyungi-do	ABN Tower	Offices	August 31, 2019

Intellectual Property

Research and Development

We believe that innovation is our main distinguishing feature and a key component of our ability to create value. Consequently, we seek to infuse all of our corporate activities and business processes with the spirit of innovation to enable us to act as a full outsourcer and strategic partner to our clients as opposed to a mere provider of contract manufacturing services. Our R&D activities comprise exploratory research, applied research and customization.

Our exploratory research activities include efforts to develop new or improved raw materials, product formulations and production technologies. Our applied research activities include efforts to optimize the technical specifications of existing products or production methods in order to better meet regulatory requirements, satisfy the specific needs of customers or improve the "manufacturability" (scale up) or stability of our bulk and finished products and packaging solutions. Our customization activities include efforts to create products in new shades of color requested by customers (by leveraging our in-house laboratories staffed by highly-experienced colorists and our deep knowledge of the materials used (such as iron oxides and dyes) to obtain desired shades of color.

Whenever our research and development activities result in a new component material, product formulation or manufacturing technology that is sufficiently innovative, we seek to file patent applications in order to protect our intellectual property therein.

Patents

As of December 31, 2014, we held 43 Italian, European and international patent families in relation to cosmetic products, production processes, production machinery and packaging. We generally file our patent applications first in Italy (for invention and utility purposes) and subsequently in Europe, by means of a special application to the European Patent Office. These applications are also extended to the United States and, in some cases, even to China and Hong Kong, by means of the procedure laid down by the Patent Cooperation Treaty.

Trademarks

As of December 31, 2014 the Group held 24 word marks and one figurative mark (national, EU and international) for products belonging to "product group 3", which includes perfumes and cosmetic products.

Domain Names

The Group owns 10 domain names. These domain names are typically formed from the names of Group companies who are the owners thereof followed by the relevant suffix.

To date, no person has challenged any of our applications for patent or trademark registration or has taken action to assert the invalidity of any registrations granted to us. We are not a licensee of any material patent, trademark or other intellectual property rights belonging to third parties.

Legal and arbitration proceedings

We describe below the tax disputes pending at the date of this Prospectus, involving us or the Group companies and which may have a material impact on our financial position or profitability or that of the Group.

Intercos

Tax audit (fiscal years 2007, 2008 and 2009)

Upon completion of a tax audit relating to the 2007, 2008 and 2009 fiscal years, the Italian Revenue Service challenged the Issuer's treatment of royalties in respect of the subsidiaries Intercos America Inc., Intercos Technology (SIP) Co. Ltd. and Intercos Asia Pacific. According to the Italian Revenue Service, we failed to charge the above-mentioned subsidiaries royalties relating to the exploitation of Italian technology and know-how prior to 2010.

We resolved the dispute through the payment to the Italian Revenue Service of a reduced amount of the sums claimed pursuant to (i) a tax settlement procedure (*accertamento con adesione*) carried out in 2013 with respect to the 2008 fiscal year, (ii) a judicial settlement procedure (*conciliazione giudiziale*) in 2014 in

relation to the 2007 fiscal year and (iii) a tax settlement procedure (*accertamento con adesione*) carried out at the beginning of 2015 with respect to the 2009 fiscal year (payments have been arranged in January 2015, but the procedure is not yet closed).

Intercos Europe

Dispute relating to Registration Tax on Sale of Business Unit

On December 21, 2012, Intercos Europe received a notice of assessment in relation to a purported €225,888 liability for registration tax due (including interest and penalties) in connection with the sale of Interfila to Intercos America Inc. on December 23, 2010. In particular, the Italian Revenue Service claims that we improperly deducted debt from the value of the assets transferred for the purpose of calculating the taxable amount of registration tax payable (3 per cent.) and, therefore, that we underpaid such tax in the amount of €109,160. The same assessment notice was also served on Intercos America Inc., as assignee of the business subject to dispute.

We filed a timely appeal to the Provincial Tax Commission of Milan on February 21, 2013. No date has yet been set for a hearing on the merits. In the event of an unfavorable decision, the Issuer would be required to pay the remaining amount due of approximately €234,000, plus interest and any legal costs indicated in the decision.

Tax Audit for 2010

During 2013, our subsidiary Intercos Europe was subject to an audit by the Italian Revenue Service in relation to direct taxes and VAT paid in the year 2010. Upon completion of this audit, and despite Intercos Europe's attempts of mediation, the Italian Revenue Service issued an assessment notice, which raised the following principal issues:

- The methodology used to calculate the increase in value of a business sold by Interfila L.t.d. (later merged into Intercos Europe) to Intercos America Inc. in that year (potential exposure of €1,315,308 in relation to this matter);
- The alleged failure to charge royalties for Interfila technology being used by Intercos America Inc. in relation to certain machinery (potential exposure of €396,212 in relation to this matter);
- Contingent failure to charge royalties for Interfila technology being used by Intercos America Inc. in relation to certain machinery (potential exposure of €396,212 in relation to this matter);
- The alleged improper deduction during 2010 of certain travel costs incurred by Intercos in Brazil and certain costs *under* a service agreement with Interfila (potential exposure of €5,978 in relation to this matter).

Intercos Europe filed an appeal to the Provincial Tax Commission of Milan on February 16, 2015.

Tax Questionnaire for 2012

On July 30, 2014, Intercos Europe received a questionnaire from the Revenue Service with regard to the fiscal 2012 tax return filed by this company. In particular, the Agency is seeking detailed information about (i) the transfer prices applied by us; and (ii) certain intercompany transactions. Intercos Europe duly answered to the questionnaire within the deadline. At this stage, no further requests from Revenue Service have been received.

Tax claims relating to Intercos Cosmetics (Suzhou) Co. Ltd.

As described above, Intercos Cosmetics (Suzhou) Co. Ltd. is located in an export processing zone (or "**EPZ**") that has allowed the Group to take advantage of certain exemptions and tax breaks with respect to its manufacturing and export activities. Over the last several years, Intercos Cosmetics (Suzhou) Co. Ltd. has

received from representatives of the authorities of EPZ zones allegations of incorrect application of the agreement with the local authority offering such tax advantages. The Issuer believes that these claims are unfounded, but has nevertheless included a provision in "Provisions for risks and charges" in its consolidated financial statements for the years 2012 and 2013 relating to potential litigation costs relating to this dispute.

Employees

At December 31, 2014, we employed 2,508 people, of which 2,115 were on permanent contracts and 393 were on fixed-term contracts.

Incentive Compensation Schemes

We do not have any stock option plans or similar agreement giving our employees the right to receive any shares or profit shares.

Collective agreements and company agreements

Many of our Italian blue-collar employees are parties to the National Collective Labor Agreement for Employees of Chemical and Pharmaceutical Sector (the "**National Collective Bargaining Agreement**"), while our white-collar employees are parties to the National Collective Labor Agreement for Managers of Industrial Enterprises (the "**Executives' Collective Bargaining Agreement**").

With regard to the company collective agreements:

(i) Intercos Europe signed on 13 June 2013, a verbal agreement with the *Rappresentanza Sindacale Unitaria* ("**RSU**") seat of Agrate Brianza, and, on June 19, 2013, a verbal agreement with the RSU seat of Dovera for the payment an annual variable performance bonus, in order to encourage the involvement of employees in the achievement of business objectives, with an indication of the parameters of an economic nature and value of the gross annual premium. On the basis of these agreements, in 2014 the employees of the office of Agrate Brianza received a "*bonus*", for the year 2013 amounting to €1,153.33, and the employees of the office of Dovera a "*bonus*", for the year 2013 amounting to €671.63 in 2014;

(ii) in relation to the seat of Agrate Brianza, Intercos Europe had also signed, dated May 8, 2012, a verbal agreement with the territorial trade unions CGIL FILCTEM, CISL FEMCA and UILCEM, for the payment of a performance bonus annually for the years 2012, 2013 and 2014;

(iii) we have entered into a verbal agreement with the RSU, on June 24, 2013, that provides confirmation of the performance bonus for three years, according to the above verbal agreement of May 29, 2012, in order to facilitate the involvement of employees in the achievement of business objectives, restating the indicators of an economic nature and values of the gross annual premium. On the basis of this agreement, in 2014, all our employees received a "bonus" for the year 2013 amounted to €757.20.

At the date of this Prospectus, supplemental agreements entered into by the Issuer and Intercos Europe set forth additional provisions relating to treatment of employees and executives, covering, *inter alia*, the payment of the fourteenth month and rules in respect of overtime and shifts.

Layoff Benefits Fund for the employees of the plant in Limbiate

Following our decision to close our Limbiate plant (as we were unable to continue producing wooden cosmetic pencils in Italy at competitive prices), on July 25, 2013 we entered into an agreement with the main trade unions for the implementation of a collective dismissal plan for the affected employees. As a result, some employees of Intercos Europe and all employees assigned to our Limbiate plant (net of workers in

factories relocated in Agrate and Dovera), have been placed in *cassa integrazione guadagni straordinaria* (extraordinary unemployment benefits) ("**CIGS**").

Pursuant to this agreement, the parties agreed to use CIGS for 24 months (from September 1, 2013 to August 31, 2015) for a maximum of 146 employees and to manage the required redundancies based on internal relocations, external relocations and outplacement. On April 16, 2014, the Italian Ministry of Labor approved this program of CIGS and extended it for a further 12 months.

Competition

We face competition from a number of players including Chromavis, Cosmax, Faber Castell, Korea Kolmar, Schwan Stabilo and Tokiwa. However, we believe that none of these competitors can currently match the breadth of our geographic presence or product portfolio.

Regulation

The development, production and marketing of cosmetic products are governed by an articulated regulatory framework.

At the EU level, the relevant regulatory provisions applicable to cosmetic products have recently been harmonized by Regulation (EC) no. 1223/2009, which entered into force as of July 11, 2013 (replacing Directive July 27, 1976 n. 76/768/EEC in order to eliminate the uncertainties and inconsistencies in legal matters arising from the large number of amendments intervened over the years) (the "**Cosmetics Regulations**"). The Cosmetics Regulations govern, *inter alia*, the activities relating to the composition, labeling and packaging of cosmetics in order to facilitate their free movement within the EU and setting out criteria for assessing their safety in order to ensure a more extensive health protection and consumer information. Non-clinical studies on the safety of cosmetic products, however, are conducted, where applicable, in conformity with the principles of good laboratory practice in accordance with Legislative Decree of March 2, 2007 n. 50 which implements Directives 2004/9/EC and 2004/10/EC. These EU provisions were integrated at the national level, by the Law of 11 October 1986 n. 713 currently in force only for the part relating to the rules on penalties applicable to infringements of the relevant legislation.

Our manufacturing facilities must meet the criteria of suitability of premises and equipment of the production workshops of cosmetics contained in Italian Ministerial Decree of 9 July 1987. 328, while production is also subject to the provisions of (i) the DPR. 447/98 on simplification of authorization procedures for the creation, s expansion, renovation and conversion of production facilities and (ii) Art. 216 of the Royal Decree of 27 July 1934 no. 1265 (cd TULL.SS.) requiring prior notice to the municipality in which the applicant intends to start production activities generating vapors, gases, or other unhealthy fumes.

Our business is also subject to the following principal provisions of law relating to the protection of the environment:

- Legislative Decree of April 3, 2006, n. 152 (Environmental Code) concerning the preservation and improvement of the environment and the prudent and rational utilization of natural resources;
- Law of October 26, 1995, n. 447 and L.D. of August 10, 2001 n. 33 relating to noise pollution.

Material Contracts

Bank Facilities Agreement

On or about the date of this Prospectus, the Bank Facilities Agreement was entered into by the Issuer and Intercos Europe, as borrowers (the "**Borrowers**"), Banca IMI S.p.A. acting as agent bank (the "**Agent Bank**") and original lender and UniCredit S.p.A., acting as lender (together, the "**Lenders**").

Pursuant to the Bank Facilities Agreement, the Lenders committed to make available to the Borrowers, credit facilities structured as follows:

(i) a term facility of Euro 50 million, with a final maturity date on December 31, 2020 (the "**Term Facility**"); and

(ii) a revolving facility of Euro 30 million, with a final maturity date on December 31, 2020 (the "**Revolving Facility**");

The amounts of the Term Facility will be used to refinance part of the Borrowers' existing indebtedness and for general corporate purposes. The proceeds of the Revolving Facility will be utilised to finance the working capital and for general corporate purposes (but not to repay principal or pay interest in respect of the above-mentioned facilities or to finance permitted acquisitions).

The Bank Facilities Agreement also provides for one or more uncommitted term loan facilities for an amount not to exceed the lower of Euro 40 million and 75% of the Group's consolidated EBITDA. Such uncommitted facilities may be utilised to fund add-on acquisitions.

The credit facilities under the Bank Facilities Agreement bear interest at a floating rate calculated by reference to EURIBOR (in the case of any loan denominated in euro) or LIBOR (in the case of any loan denominated in US dollars), plus a margin that is subject to adjustments on a quarterly basis depending on fluctuations in our ratio of net financial debt to EBITDA of the Intercos Group (the "**Leverage Ratio**"), as set out below:

Margin applicable to the Term Facility and the Revolving Facility depending on the Leverage Ratio ("X")

$X > 3.25$	2.65%
$2.50 < X \leq 3.25$	2.15%
$1.75 < X \leq 2.50$	1.85%
$X \leq 1.75$	1.50%

Voluntary prepayments

The Borrowers may prepay principal outstanding under the Bank Facilities Agreement, in whole or in amounts of at least Euro 1 million, at any time subject to payment of breakage costs.

If the Borrowers fail to timely pay amounts due under the Bank Facilities Agreement, the Borrowers will be liable to pay additional default interest calculated at one percentage point per annum.

Mandatory prepayments

The Bank Facilities Agreement obliges the Borrowers to immediately repay all amounts outstanding thereunder in the following circumstances:

(i) Illegality: if it is unlawful in any jurisdiction for a Lender to perform any of its obligations under the Bank Facilities Agreement.

(ii) Change of control: Mr. Dario Ferrari, his wife or his children collectively cease: (A) to hold, directly or indirectly, at least 50% of our share capital; (B) to have at least 50% of the voting rights exercisable in our ordinary shareholders' meeting (or in any event to exercise a dominant influence in such meeting); or (C) to have the right to name or revoke a majority of our Board of Directors.

(iii) Sale of all of substantially all of our assets.

The Bank Facilities Agreement further provides for an obligation of the Borrowers to make partial repayment of amounts outstanding under the credit facilities in the following circumstances:

(i) if they or their subsidiaries sell assets other than ''excluded assets'' as defined in the Bank Facilities Agreement, the relevant disposal proceeds must be applied to repay amounts outstanding under the Bank Facilities Agreement in proportion to the Leverage Ratio on a pro-forma basis (without considering the proceeds of the sale) on the date of the sale;

(ii) if they or their subsidiaries receive a payment under an insurance policy, they must apply it (net of the excluded insurance proceeds, as defined in the Bank Facilities Agreement) in repayment of amounts outstanding under the Bank Facilities Agreement in proportion the Leverage Ratio (without considering the compensation received) on the date of the payment;

(iii) if ''excess cash'' as defined in the Bank Facilities Agreement is generated, it must be applied to repay amounts outstanding under the Bank Facilities Agreem ent in proportion to the leverage ratio calculated as of the end of the financial year;

(iv) if the Issuer or a subsidiary raises equity financing through a public offering and listing on a regulated market of newly issued or existing shares, the relevant IPO proceeds (net of taxes and reasonable transaction expenses) must be applied to repay amounts outstanding under the Bank Facilities Agreement in proportion to the Leverage Ratio; or

(v) if the Borrowers raise proceeds from debt capital market transactions, 100% of such proceeds (net of reasonable costs and taxes) must be applied towards prepayment of our credit facilities.

Events of Default

The Bank Facilities Agreement contains customary events of default including non-payment, breach of representations and warranties, breach of covenants, breach of the terms of the Bank Facilities Agreement, cross default, insolvency or creditors' process affecting a Material Company (as defined in the Bank Facilities Agreement), material litigation, issuance of a qualified audit report, expropriation of shares or of a substantial part of the assets of a Material Company and occurrence of a material adverse change.

Financial Covenants

The Bank Facilities Agreement includes financial covenants obliging the Group to maintain on a consolidated basis:

(i) certain levels of a ratio of net financial indebtedness to consolidated EBITDA (Leverage Ratio), calculated on a quarterly basis;

(ii) certain levels of a ratio of consolidated EBITDA to consolidated net financial charges (interest cover ratio), calculated on a quarterly basis;

(iii) certain levels of a ratio of consolidated available cash flow to consolidated debt service (DSCR), calculated on a quarterly basis; and

(iv) certain levels of capital expenditure, in respect of each financial year.

Compliance with these covenants will be assessed on a quarterly basis by reference to the Issuer's consolidated financial statements.

Distribution of Dividends

Pursuant to the Bank Facilities Agreement, Intercos is not permitted to make any distributions of dividends, reserves or otherwise pay any amounts to shareholders, except:

(i) after the completion of an equity offering of its own shares, the Issuer may engage in share buy-backs to the extent that such transactions do not constitute an event of default under the Bank Facilities Agreement;

(ii) as long as the Leverage Ratio is equal to or less than 2.25X, the restrictions described in this paragraph will cease to apply; or

(iii) if the Leverage Ratio is equal to or less than 2.5X following an equity offering of the Issuer's shares, the restrictions described in this paragraph will cease to apply.

The obligations deriving from the Bank Facilities Agreement are secured by a pledge on approximately 99.6% of the Issuer's corporate capital, on all shares of Intercos Europe and on all shares of any additional borrower under the Bank Facilities Agreement. Moreover, the Issuer Intercos Europe and CRB have also issued a corporate guarantee; any future Material Company (except Intercos America Inc.) from time to time and any subsidiary of the Issuer that becomes a borrower under the Bank Facilities Agreement will also be required to issue a corporate guarantee.

Subsidized Loans

We have received from the *Fondo per l'Innovazione Tecnologica* (Fund for Technological Innovation), which is a special fund administered by the Italian Ministry of Economic Development, approximately €3.35 million in subsidized loans to support our efforts to develop innovative products, processes and services.

Disbursements of these amounts are effected upon the achievement of pre-negotiated milestones, with no more than 80 per cent. able to be disbursed during the period of implementation; the remaining 20 per cent. is disbursed once the borrower's compliance with all applicable conditions has been verified.

Repayment of these loans occurs in ten equal annual instalments, including interest charged at a below market rate, starting in the sixth year after initial disbursement. In case of default or revocation of the loan, default interest of 4 per cent. (with a minimum all-in rate of not less than 10 per cent.) is charged.

In exchange for receiving these subsidies, we have committed not to transfer the know-how developed with these funds for a period of ten years without the approval of the Ministry of Economic Development.

The following table summarizes the loans we have received from the Fund for Technological Innovation that are currently outstanding:

Borrower	Granting Date	Principal Amount	Maturity Date	Interest Rate	Outstanding Principal as of June 30, 2014
Intercos	December 12, 2000	€618,201	December 21, 2015	3.93%	€143,398
Intercos	September 19, 2002	€1,054,362	September 19, 2017	3.36%	€463,926

Intercos Europe	May 22, 2000	€741,116	May 22, 2015	3.75%	€73,819

Rationalization of Shareholdings in Asian Subsidiaries

On June 27, 2013, we acquired 250,000 shares of Intercos Cosmetics (Suzhou) Co. Ltd ("**Intercos Suzhou**"), representing the residual 2 per cent. of the share capital of Intercos Suzhou that we did not already own, from our subsidiary Intercos Asia Pacific Bhd. ("**Intercos Asia Pacific**"), for consideration of USD 250,000.

Following this transaction, we sold 2,150,000 shares of Intercos Asia Pacific (representing our entire 58 per cent. interest in this company) to Mr Kwong Kam Thiem, a citizen of Malaysia, for consideration of USD 3,021,000. We decided to sell Intercos Asia Pacific, which is a Malaysian company active in the production of color cosmetics for the local market, in order to focus on higher margin activities. Mr Thiem agreed to pay this consideration by making 36 monthly payments of USD 83,916.67 each. As of the date of this Prospectus, USD 1,930,083 of this consideration remains to be paid. We have a security interest in the shares sold to Mr Thiem.

Also on June 27, 2013, we entered into an option agreement whereby we obtained a call option (i) from Mr Thiem over said 2,150,000 shares in Intercos Asia Pacific and (ii) from Asia Pacific Sdn. Bhd. over the remaining 1,550,000 shares of Intercos Asia Pacific. Such call options are exercisable between June 27, 2019 and June 27, 2021 at an exercise price that will be based on the value of the net assets of Intercos Asia Pacific and/or specified multiples of Adjusted EBITDA as of the exercise date. Pursuant to this agreement, Mr Thiem and Intercosmetic Sdn. Bhd. have granted us a right of first offer in respect of any shares of Intercos Asia Pacific until the expiration of the option period specified above. These transactions led to a capital loss of €346,000 at the consolidated level.

Dropnail Agreements

On July 9, 2013, we entered into an investment agreement in relation to the restructuring of the ownership structure of Dropnail as well as three separate agreements through which we acquired a 60 per cent. equity stake in Dropnail (the "**Dropnail Agreements**").

Previously, the share capital of Dropnail was held by five individuals (Dante Cucchi, Mark Cicchetti, Domenico Cicchetti, Roberto Lucini and Flavio Paone), each of whom held a 20 per cent. stake. Pursuant to the Dropnail Agreements:

- On July 29, 2013, we acquired the stakes of Dante Cucchi, Roberto Lucini and Flavio Paone for aggregate consideration of €336,944, leaving us with a 60 per cent. stake in Dropnail. Paragon Cosmetics S.r.l. ("**Paragon**") acquired the remaining 40 per cent. stake from Mark and Domenico Cicchetti. Paragon is owned by Roberto Lucini (51 per cent.), Giulio Cerioli (24.5 per cent.) and Alfredo Posenato (24.5 per cent.).
- We also acquired certain credits owed by Dropnail to the selling shareholders on account of previously extended non-interest bearing shareholder loans as follows: (i) €31,528 from Dante Cucchi; (ii) €200,000 from Roberto Lucini; and (iii) €31,528 from Flavio Paone.
- We assumed responsibility for €263,056 in leasing and financing contracts.

On July 29, 2013, we also entered into a shareholders' agreement with Paragon having a five-year term providing, *inter alia*, that: (i) the shares of Dropnail shall be non-transferable until September 30, 2017; (ii) the parties shall have a right of first refusal over any transfers of shares thereafter; (iii) Paragon shall have a tag-along right in the event we sell more than half of our stake in Dropnail; (iv) we shall have a drag-along right in respect of Paragon's entire stake in Dropnail provided a minimum price condition is satisfied; (v) we

have granted to Paragon a put option over its entire stake in Dropnail, exercisable during October-November 2017; and (vi) Paragon has granted us a call option over its entire stake in Dropnail, exercisable during December 2017 and January 2018. The exercise price per share for the put and call options mentioned above shall be the greater of: (a) the average value of shareholders' equity recorded in Dropnail's annual financial statements for the preceding two years and (b) the value deriving from the following formula: (EBITDA x 5)_Net Financial Position.

Vitalab Agreements

On October 11, 2010, the Issuer, CRB and Arterra Bioscience S.r.l. ("**Arterra**") established Vitalab S.r.l. as a joint venture between CRB (60 per cent.) and Arterra (40 per cent.).

Vitalab is focused on discovering, researching and developing new raw materials and active ingredients for the cosmetics industry. In particular: (i) all of the intellectual property underlying the "Cellintegrity" and "Lyoskin" lines of raw materials was contributed to Vitalab; (ii) we granted Vitalab a perpetual worldwide license to use raw materials that may be developed in connection with our collaboration with UFPeptides S.r.l.; and (iii) Arterra granted Vitalab a perpetual worldwide license to use its patented "BioNymph" line of raw materials.

The Vitalab joint venture agreement also set out a framework to govern the parties mutual business activities and research and development efforts, but these provisions have been superseded by the Arterra Agreement described below.

CRB and Arterra have also entered into a shareholders' agreement dated as of February 14, 2014, with a five year term. This agreement provides, *inter alia*, that: (i) the shares of Vitalab (and the pre-emptive rights attaching thereto) shall be non-transferable for a period of four years from the signing date; (ii) the parties shall have a right of first refusal over any transfers of shares thereafter; (iii) customary drag-along and tag-along rights shall apply to any sale of Vitalab; and (iv) the parties shall provide financial support to Vitalab in proportion to their ownership stakes (with the Issuer having guaranteed CRB's obligations in that respect).

Arterra Agreement

On February 14, 2014, the Issuer, Arterra, Vitalab and CRB entered into an agreement in relation to the provision by Arterra of research and development services and the supply of certain raw materials (the "**Arterra Agreement**"). The principal terms of the Arterra Agreement are summarized below:

- Arterra agreed that all activities conducted by it in relation to the discovery, research and development of new raw materials for use in the production of cosmetics (including in collaboration with scientific institutes and universities and/or other Group companies) or the preparation of scientific dossiers in respect of any new product formulations so developed shall be for the exclusive benefit of Vitalab;
- Arterra agreed to support the specialized product development services offered by Vitalab to its customers by carrying out research and development activities as specified from time to time for the purpose of developing new raw materials with the desired characteristics;
- Arterra has the right to produce and provide new raw materials to us in addition to Vitalab, including specifically the "BioNymph" lines of raw material (existing and to be developed) based on intellectual property that is owned by Arterra and licensed to Vitalab, but excluding any raw materials developed by our Group;
- We and CRB agreed to transfer to Arterra all of the know how in our respective possession relating to the new products on the market of cosmetics and to provide samples for testing in comparison with the new materials developed by Arterra for Vitalab;

- Vitalab agreed to pay to Arterra an annual fee to be adjusted annually for inflation and as otherwise agreed by the parties in good faith (the "**R&D Fee**"). In 2014, the R&D fee amounted to €496,174.66. If the parties fail to agree on the adjustment to the R&D Fee, only the inflation adjustment will be applied;
- Arterra has a right of first refusal to provide Vitalab and the Group with raw materials so long as it is able to match the prices and conditions offered by competitors;
- All intellectual property in relation to new raw materials arising from the R&D activities carried out by Arterra shall be the exclusive property of Vitalab (except for the patented "BioNymph" line of materials as mentioned above);
- The Arterra Agreement expires on December 31, 2018, and shall be automatically renewed for an additional one year term at each anniversary thereafter unless terminated by any party.

Management

Board of Directors

Our Board of Directors must be comprised of not less than 5 members and not more than 11 members. The current members of our Board of Directors were elected at the ordinary shareholders' meeting held on September 5, 2014 and are expected to remain in office until the ordinary shareholders' meeting held to approve our financial statements for the year ending December 31, 2016.

The following table sets forth the current members of our Board of Directors:

Name	Age	Position	Principal activities outside the Issuer
Dario Gianandrea Ferrari	72	Chief Executive Officer	Immobiliare Talete S.r.l. - Executive Director Intercos Europe - Chairman and Executive Director Dafe International S.r.l. - Executive Director Dafe 4000 S.p.A. - Chairman Vitalab S.r.l. - Chairman Intercos America Inc. - Director Intercos Cosmetics (Suzhou) Co. Ltd. - Chairman and CEO Interfila Cosmetics (Shanghai) Co. Ltd. - Chairman and CEO Intercos Technology (SIP) Co. Ltd. - Chairman and CEO CRB - Chairman Intercos Paris Sarl - Director Intercos UK Ltd. – Director Intercos Korea Limited – Director Intercos Marketing Ltd - Director
Gianandrea	31	Director	Intercos Europe - Director

Ferrari			Je m'en fous S.r.l. - Director Ager S.r.l. - Director
Ludovica Arabella Ferrari	46	Executive Director	Dafe 4000 S.p.A. - Director Interfila Cosmetics (Shanghai) Co. Ltd. – Director Intercos America Inc. - Director
Nikhil Kumar Thukral	43	Director	Catterton Management Company - Senior Partner Dental Implant Holdings LLC - Director PIRCH, Inc. – Director Ferrara Candy Company Holdings, Inc. – Director SteelSeries ApS – Director
James Michael Chu	56	Director	Catterton Management Company - Managing Partner and Founder Video Equipment Rentals LLC – Director JH Global Holdings Ltd – Director Primanti Holdings, Inc. - Director Cheddar's Restaurant Holding Corp. – Director Baccarat, S.A. – Director Restoration Hardware Holdings, Inc. – Director

The business address of all of the members of the Board of Directors is the registered office of the Issuer at Piazza Eleonora Duse n. 2, Milano, Italy.

There are no potential conflicts of interest between the duties of such persons to us and their private interests or other duties.

Board of Statutory Auditors

Pursuant to our Bylaws, the Board of Statutory Auditors is composed of three standing members and two alternate members, whose term of office is three fiscal years and expires on the date of the shareholders' meeting called to approve the financial statements referring to the third year of this term. Members of the Board of Statutory Auditors may be re-elected to office.

Except where specified otherwise below, the Board of Statutory Auditors currently in office was appointed at the ordinary shareholders' meeting held on September 5, 2014 and shall remain in office until the approval of the financial statements for the year ending December 31, 2016.

The members of the Board of Statutory Auditors at the date of the Prospectus are reported in the following table.

Name	Position	Principal activities outside the Issuer
Nicola Broggi	Chairman	Partner, PWC CSL Behring S.p.A. - Chairman of the

		Board of Statutory Auditors Assa Abloy Italia S.p.A. - Chairman of the Board of Statutory Auditors Assa Abloy Holdings Italia S.p.A. - Chairman of the Board of Statutory Auditors Toshiba Transmission & Distribution Europe S.p.A. - Chairman of the Board of Statutory Auditors Micys Company S.p.A. - Chairman of the Board of Statutory Auditors NTT Data Italia S.p.A. - Chairman of the Board of Statutory Auditors Ellisse S.r.l. - Chairman of the Board of Statutory Auditors Ulisse Due S.r.l. - Chairman of the Board of Statutory Auditors Norgine Italia S.r.l. - Chairman of the Board of Statutory Auditors Ticketone S.p.A. - Chairman of the Board of Statutory Auditors Real Estate Advisory Group S.p.A. - Chairman of the Board of Statutory Auditors Graphic Packaging S.p.A. - Chairman of the Board of Statutory Auditors Trelleborg Engineered Systems Italy S.p.A. - Statutory Auditor American Appraisal Holdings S.p.A. - Statutory Auditor Pernigotti S.p.A. - Statutory Auditor
Matteo Tamburini	Statutory Auditor	Alfa Wassermann S.p.A. – Director Alpha S.r.l. in liquidazione già Ballantyne Cashmere S.p.A. – Chairman of the Board of Statutory Auditors Beghelli S.p.A. – Director Centro Generale Macchine S.r.l. – Chairman of the Board of Statutory Auditors C.R.N. S.p.A. – Chairman of the Board

of Statutory Auditors

Dainese S.p.A. – Statutory Auditor

Ducati Motor Holding S.p.A. - Chairman of the Board of Statutory Auditors

Galotti S.p.A. – Director

Gemmo S.p.A. (società con unico socio) – Statutory Auditor

Gnosis S.p.A. – Statutory Auditor

Gnosis Bioresearch S.r.l. – Statutory Auditor

Gnudi Guatri Consulenti Associati S.r.l. – Director

Gruppo Concorde. – Statutory Auditor

Intercos Europe – Chairman of the Board of Statutory Auditors

Italiana Tabacchi S.r.l. – Director

Manifatture Sigaro Toscano Società e Responsabilità Limitata in breve Manifatture Sigao Toscano S.r.l. – Director

Martelli Lavorazioni Tessili S.p.A. – Director

Mirage Granito Ceramico S.p.A. – Chairman of the Board of Statutory Auditors

Olympic R.E. S.p.A. – Chairman of the Board of Statutory Auditors

Polynt S.p.A.– Chairman of the Board of Statutory Auditors

Risanamento S.p.A. – Director

Riva S.p.A.- Chairman of the Board of Statutory Auditors

Viabizzuno S.r.l. – Chairman of the Board of Statutory Auditors

Vimec S.r.l. – Chairman of the Board of Statutory Auditors

VMM Finanziaria S.p.A. – Member of Management Supervisory Board and Director

Zago S.p.A. – Chairman of the Board of

		Statutory Auditors
Maria Maddalena Gnudi	Statutory Auditor	Tobago 87 S.p.A. – Statutory Auditor
Simone Marchiò	Alternate Auditor	Toshiba Transmission & Distribution Europe S.p.A. – Alternate Auditor MICYS Company S.p.A. – Alternate Auditor American Appraisal Holding S.p.A. – Alternate Auditor Graphic Packaging International S.p.A. – Auditor Hogg Robinson Italia S.p.A. – Alternate Auditor Mallinckrodt Italia S.p.A. – Auditor Mallinckrodt Radiopharmaceuticals Italia S.p.A. – Auditor Assa Abloy Italia S.p.A. – Alternate Auditor Assa Abloy Holding Italia S.p.A. – Alternate Auditor Jafra Cosmetics S.p.A. – Chairman of the Board of Statutory Auditors
Francesco Molinari	Alternate Auditor	Paolo Castelli S.p.A. – Alternate Auditor Mape S.p.A. – Auditor Pastore & Lombardi S.p.A. – Auditor Piqubo S.p.A. – Alternate Auditor Meliconi S.p.A. – Alternate Auditor Nute Partecipazioni S.p.A. – Alternate Auditor Abita Costruzioni S.r.l. – Alternate Auditor Fintrading S.p.A. – Auditor Piquadro Holding S.p.A. – Auditor Finross S.p.A. – Alternate Auditor Giulio Hilbe S.p.A. – Auditor Hilbe S.p.A. – Auditor Immobiliare San Nicolo S.p.A. – Alternate Auditor CMH S.r.l. – Chairman of the Board of

Statutory Auditors

CMFIMA S.r.l. – Auditor

Manifattura Berluti S.r.l. – Auditor

Cassina S.p.A. – Alternate Auditor

Negri Bossi S.p.A. – Alternate Auditor

Charme Management S.r.l. – Alternate Auditor

Milanosesto S.p.A. – Auditor

Haworth Italy Holding S.p.A. – Alternate Auditor

Octo Telematics Italie S.r.l. – Auditor

All the members of the Board of Statutory Auditors meet the requirements for professional standing and independence outlined in Article 148 of the TUF and in the Rules for its implementation adopted by Decree no. 162/2000 of the Ministry of Justice.

There are no potential conflicts of interest between the duties of such persons to us and their private interests or other duties.

Shareholders

The following table sets forth information regarding the ownership of shares as of the date hereof:

Owner	Number	Percent
Dafe 3000	78,880	0.086
Dafe 4000	37,591,900	41.165
Dafe 5000	14,032,456	15.366
CP7 Beauty Luxco S.à r.l.	39,267,544	43.00
Others[1]	349,090	0.382
Total	91,319,870	100%

(1) Includes shares held by the following, who are either members of the board of directors and/or key executive officers: Ludovica Arabella Ferrari (0.044 per cent.), Morena Maurizia Genziana (0.044 per cent.), Simone Gibertoni (0.052 per cent.), Matteo Milani (0.044 per cent.) and Paolo Valsecchi (0.056 per cent.).

As at the date of this Prospectus, Mr Dario Gianandrea Ferrari is the beneficial owner, through Dafe 3000, Dafe 4000 and Dafe 5000, of approximately 56.6 per cent. of our ordinary shares and associated voting rights. Accordingly, pursuant to Article 93 of the legislative decree no. 58 of 1998 (the "**Unified Financial Law**"), Mr Ferrari is our controlling shareholder.

Recent Developments

On March 17, 2015 EY informed the Issuer that on March 15, 2015 EY's affiliate in the United States received a telephone call in which an anonymous caller claimed that there could be a potential fraud committed by Intercos America or its employees. Based on the information that the Issuer has received from EY, the anonymous caller did not provide any details or evidence as to the type or scope of potential fraud allegedly committed or when such activity allegedly occurred. As at the date hereof, Intercos America has substantially completed its 2014 year end closing procedures and internal controls in connection with the financial statements as at and for the year ended December 31, 2014 and no relevant fact in regards to a potential fraud has come to the attention of management of Intercos America or the Issuer. Furthermore, to the knowledge of the Issuer: (1) neither Intercos America nor its employees have committed any fraud; and (2) no claim of fraud relating to Intercos America has been submitted to the competent authorities. Intercos has set up internal procedures and policies to comply with laws relating to the prevention of crime (including fraud) by the Issuer and/or its employees and has set up a compliance program to prevent the commission of offenses contemplated by Italian Legislative Decree No. 231/2001. Respective policies, including a code of Ethics and a Code of Conduct, and respective guidelines have been issued to all affiliates of the Group. Neither the Issuer nor the Guarantors have any additional information regarding this allegation.

DESCRIPTION OF THE ORIGINAL GUARANTORS

The Notes will be guaranteed on issue by the Issuer's wholly owned subsidiaries, Intercos Europe and CRB.

Intercos Europe

Intercos Europe is a company incorporated under the laws of the Republic of Italy whose registered office is at Piazza Eleonora Duse No.2, 20122 Milan, Italy. The telephone number of its registered office is +39 039 65521.

Intercos Europe was originally incorporated on December 22, 1982. Intercos Europe is registered with the *Registro delle Imprese* of Milan under number 00712410190 and its duration is set forth as of December 31, 2030.

General

Intercos Europe develops, produces and sells cosmetics.

As of the date of this Prospectus, the fully paid and subscribed share capital of Intercos Europe is equal to euro 3,000,000.00 and it is wholly owned by the Issuer

Intercos Europe drafts its own financial statements according to the accounting principles applicable thereto.

Board of Directors

The current members of the Board of Directors of Intercos Europe were appointed by a decision of Intercos Europe's sole shareholder adopted on April 23, 2014. The appointments of the current Directors of Intercos Europe will expire at the shareholders' meeting to approve the 2015 financial statements.

The following table shows their names, positions and principal activities outside Intercos Europe:

Name	Position with Issuer	Principal activities outside Intercos Europe
Dario Gianandrea Ferrari	Chairman and CEO	See "*Description of the Issuer—Management—Board of Directors*"
Martin Breuer	Executive Director	Ager S.r.l. – Director Intercos – Attorney Vitalab S.r.l. – Managing Director and Director Dropnail S.r.l. – Director CRB – Director Intercos Korea Limited – Director Intercos Technology (SIP) Co. Ltd. – Director Inerfila Cosmetics (Shangai) Co. Ltd. – Director Intercos America Inc. – Director

Paolo Valsecchi	Executive Director	Intercos – Attorney CRB – Director Intercos America Inc. – Director Inerfila Cosmetics (Shangai) Co. Ltd. – Director Intercos Cosmetics (Suzhou) Co. Ltd. – Director Intercos Technology (SIP) Co. Ltd. – Director
Matteo Milani	Executive Director	N/A
Gianandrea Ferrari	Director	See "*Description of the Issuer—Management—Board of Directors*"

Statutory Auditors

The current Statutory Auditors were appointed by a decision of Intercos Europe's sole shareholder adopted on April 30, 2013. The appointments of the current Statutory Auditors of Intercos Europe will expire at the shareholders' meeting to approve the 2015 financial statements.

The following table shows their names, positions and principal activities outside Intercos Europe:

Name	**Position with Issuer**	**Principal activities outside Intercos Europe**
Matteo Tamburini	Chairman	See "*Description of the Issuer—Management—Board of Directors*"
Mario Valenti	Statutory Auditor	Ambros Saro S.p.A. – Chairman of the Board of Statutory Auditors Achille Pinto S.p.A. – Chairman of the Board of Statutory Auditors Banca Italease S.p.A. – Chairman of the Board of Statutory Auditors Caprotti S.p.A. – Statutory Auditor Coris Assistance S.p.A. – Alternate Auditor Dafe 4000 S.p.A. – Chairman of the Board of Statutory Auditors Giovanni Bosca Tosti Ivi S.p.A. – Chairman of the Board of Statutory Auditors

		Immobiliare BA 68 S.p.A. – Chairman of the Board of Statutory Auditors Industries S.p.A. – Chairman of the Board of Statutory Auditors Intesa Aretina S.c.a.r.l. – Statutory Auditor Investbiz S.p.A. – Chairman of the Board of Statutory Auditors ISC S.p.A. – Statutory Auditor Jakil S.p.A. – Chairman of the Board of Statutory Auditors Lampugnani Farmeceutici S.p.A. – Chairman of the Board of Statutory Auditors Moncler S.p.A. – Chairman of the Board of Statutory Auditors Porto di Lavagna S.p.A. – Chairman of the Board of Statutory Auditors Prima Vera S.p.A. – Chairman of the Board of Statutory Auditors Tabacchi S.p.A. – Statutory Auditor Tekmed Instruments S.p.A. – Chairman of the Board of Statutory Auditors Tecla S.r.l. – Sole Director
Maria Maddalena Gnudi	Statutory Auditor	See "*Description of the Issuer—Management—Board of Directors*"
Marino Marrazza	Alternate Auditor	Ente Autonomio Fiera Del Levante – Statutory Auditor Ergycapital S.p.A. – Auditor DNV GL Business Assurance Italia S.r.l. – Chairman of the Board of Statutory Auditors DNV Italia S.r.l – Chairman of the Board of Statutory Auditors Aedes Società Per Azioni Ligure Lombarda Per Imprese E Costruzio Ni O In Forma Abbreviata, Aedes S.p.A. – Auditor

Loviro SRL – Bankruptcy Receiver

Bredafin Innovazione S.p.A. – Chairman of the Board of Statutory Auditors

Ambros Saro S.p.A. – Alternate Auditor

Impresa Ing. La Falce S.p.A. – Auditor

B.M.I. S.r.l. – Bankruptcy Receiver

Alge.Fin S.r.l. – Bankruptcy Receiver

L.Heizer Gas S.r.l. – Judicial Commissioner

Ristoranti Degli Ippodromi S.r.l. – Bankruptcy Receiver

Jakil S.p.A. – Alternate Auditor

Autostrada Pedemontana Lombarda Societa Per Azioni – Alternate Auditor

Utensileria 2000 S.r.l. – Judicial Commissioner

Nuova Control Gasitaolia S.r.l. – Bankruptcy Receiver

Breda Energia S.p.A.– Auditor

Evoluzione S.r.l. – Bankruptcy Receiver

Coop. Unione Servizi Soc. Coop A R.L. – Bankruptcy Receiver

Pastificio Ambrosiano – Bankruptcy Receiver

G.T.T. S.r.l. – Bankruptcy Receiver

Porto Di Lavagna S.p.A. – Alternate Auditor

Aedes BPM Real Estate SGR S.p.A. – Chairman of the Board of Statutory Auditors

Iozzi Cantieri Edili S.r.l. – Judicial Commissioner

Cemam S.r.l. – Bankruptcy Receiver

Technoservizi S.A.S. Di Carlo Arosioa & C. – Bankruptcy

		Receiver Gigiemme E Co. S.r.l. – Alternate Auditor Cannatelli Costruzioni S.r.l. – Bankruptcy Receiver I2 Capital Partners SGR S.p.A. – Auditor Emisys Capital Società Di Gestione Del Risparmio Per Azioni In Forma Abbreviata Emsys Capital S.G.R. P.A. – Alternate Auditor Progetto Nuovo Santanna S.r.l. – Auditor Construzione C.M.P. S.r.l. – Bankruptcy Receiver Nova Re S.p.A. – Chairman of the Board of Directors Achille Pinto S.p.A. – Alternate Auditor Montecristo S.r.l. – Bankruptcy Receiver Andromeda PV S.r.l. – Auditor V.M. Costruzioni S.r.l. – Bankruptcy Receiver Investbiz S.p.A. – Alternate Auditor Perseo S.r.l. – Auditor Banca Popolare Di Spoleto S.p.A. – Director
Barbara Zanardi	Alternate Auditor	Iren Mercato S.p.A. – Director Cassina S.p.A. – Auditor Haworth Italy Holding S.r.l. – Auditor Charme Management S.r.l. – Auditor Iren S.p.A. – Director Octocam S.r.l. – Auditor Poltrona Frau S.p.A. – Auditor

Conflicts of interest

So far as Intercos Europe is aware, there are no potential conflicts of interest between any duties of the members of the Board of Directors and the Statutory Auditors and their private interests.

The Notes will be guaranteed on issue by the Issuer's wholly owned subsidiaries, Intercos Europe and CRB.

CRB

CRB is a company incorporated under the laws of the Switzerland whose registered office is at Route du Verney 1, 1070 Puidoux , Suisse. The telephone number of its registered office is +41 21 946 00 00.

CRB was originally incorporated on January 24, 1983. CRB is registered with Registre Du Commerce Du Canton De Vaud under number N° réf. CH-550-0.113.000-5, IDE CHE-101.362.179 and its duration is indeterminate.

General

CRB develops, produces and sells, importation and exportation of raw materials and finished products related to cosmetic, pharmaceutical, biological, perfumes, hygiene, dietary and fashion industry.

As of the date of this Prospectus, the fully paid and subscribed share capital of CRB is equal to CHF 100,000 and it is wholly owned by the Issuer.

CRB drafts its own financial statements according to the accounting principles applicable thereto.

Board of Directors

The current members of the Board of Directors of CRB were appointed by the Shareholders' Meeting. The appointments of the current Directors of CRB will expire at the shareholders' meeting to approve the 2014 financial statements.

The following table shows their names, positions and principal activities outside CRB:

Name	**Position with Issuer**	**Principal activities outside CRB**
Dario Gianandrea Ferrari	Director, President	See "*Description of the Issuer—Management—Board of Directors*"
Simone Gibertoni	Director, Vice-President; Director General	Vitalab S.r.l. – Managing Director and Director Intercos Technology (SIP) Co. Ltd. – Director
Martin Bueuer	Director	As above
Paolo Valsecchi	Director	As above
Francesca Garlaschelli	Director	N/A

Conflicts of interest

So far as CRB is aware, there are no potential conflicts of interest between any duties of the members of the Board of Directors and their private interests.

DESCRIPTION OF THE INTERCREDITOR AGREEMENT

On or around the Issue Date, the Issuer, the Original Guarantors, the Trustee, the Principal Paying Agent and Banca IMI S.p.A. and UniCredit S.p.A. (as "**Lenders**"), amongst others, will enter into an intercreditor agreement (the "**Intercreditor Agreement**").

The Intercreditor Agreement governs, among other things, the ranking of indebtedness and enforcement of the Transaction Security by the Lenders, the Trustee and the Noteholders, the rights and obligations of the Lenders, the Trustee and the Noteholders and the enforcement actions that can be taken by the Security Agent in respect of any security interest created (or expressed to be created) under or in connection with the Security Documents.

Pursuant to the terms of the Intercreditor Agreement the claims of the holders of the Notes rank *pari passu* with those of the Lenders.

The Intercreditor Agreement is governed by, and shall be construed in accordance with, English law.

Procedure for Enforcement

The Security Agent is required to refrain from taking enforcement action unless instructed to do so by an "**Instructing Group**" (as defined in the Intercreditor Agreement).

Subject to the detailed provisions of the Intercreditor Agreement, if the Lenders or Noteholders (each a "**Creditor Group**") intends to enforce the Transaction Security, such Creditor Group, being the "**Enforcing Creditor Group**" shall through its respective agent (in the case of the Lender, the Facility Agent (as defined in the Intercreditor Agreement) and, in the case of the Noteholders, the Trustee) (the "**Agent**") give prior notice of such intention to the Security Agent and the Security Agent shall notify the Agent for the other Creditor Group (the "**Responding Creditor Group**"). The Responding Creditor Group shall have 45 days to instruct the relevant Agent to confirm in writing to the Security Agent and Agent for the Enforcing Creditor Group if it also intends to enforce that Transaction Security. If the Responding Creditor Group does not instruct the relevant Agent to respond or if they instruct the relevant Agent to confirm in writing that they do not intend to enforce any Transaction Security at the given time, the Instructing Group for the purposes of the enforcement shall be Creditors (as defined in the Intercreditor Agreement) representing the Requisite Majority (as defined in the Intercreditor Agreement) of the Enforcing Creditor Group. However, if the Responding Creditor Group instructs the relevant Agent to confirm in writing by the required date that they intend to enforce that Transaction Security, the Instructing Group for the purposes of the enforcement, subject to certain limited exceptions, will be Senior Secured Creditors (as defined in the Intercreditor Agreement) representing 75% of the aggregate of all commitments under the Bank Facilities Agreement, other relevant credit facility and the Notes.

TAXATION

Taxation in Italy

The statements herein regarding taxation are based on the laws in force in Italy as at the date of this Prospectus and are subject to any changes in law occurring after such date, which could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules.

Prospective purchasers of the Notes are advised to consult their own tax advisors concerning the overall tax consequences of their ownership of the Notes.

Tax treatment of the Notes

Legislative Decree No. 239 of April 1, 1996 ("**Decree 239**"), as subsequently amended, provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by Italian resident unlisted companies, provided that the notes themselves are traded on a EU or EEA regulated market or multilateral trading facility. For this purpose, bonds and debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at redemption, an amount not lower than their nominal value and which do not grant the holder any direct or indirect right of participation to (or of control of) management of the issuer.

Italian resident holders

Where the Italian resident holder is (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the *risparmio gestito regime* – see "*Capital Gains Tax*" below), (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to the Notes, accrued during the relevant holding period, are subject to a withholding tax, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent. In the event that the holders described under (i) and (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Where an Italian resident holder of the Notes is a company or similar commercial entity or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected and the Notes are deposited with an authorized intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant holder's income tax return and are therefore subject to general Italian Corporate taxation ("**IRES**") (and, in certain circumstances, depending on the "status" of the holder, also to IRAP – the regional tax on productive activities).

Under the current regime provided by Law Decree No. 351 of September 25, 2001, converted into law with amendments by Law No. 410 of November 23, 2001, as clarified by the Italian Revenue Agency (*Agenzia delle Entrate*) through Circular No. 47/E of August 8, 2003 and Circular No. 11/E of March 28, 2012, payments of interest in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of February 24, 1998, as amended and supplemented, and Article 14-*bis* of Law No. 86 of January 25, 1994 and Italian real estate investment companies with fixed capital ("**Real Estate SICAFs**"), are subject neither to substitute tax nor to any other income tax in the hands of a real estate investment fund.

If the investor is resident in Italy and is a fund, an Italian investment company with fixed capital ("**SICAF**") or an Italian investment company with variable capital ("**SICAV**") established in Italy and either (i) the fund, the SICAF or the SICAV or their manager is subject to the supervision of a regulatory authority (the "**Fund**") and the relevant Notes are held by an authorized intermediary, interest, premium and other income accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund. The Fund will not be subject to taxation on such result, but a withholding tax of 26 per cent. (the "**Collective Investment Fund Tax**") will apply, in certain circumstances, to distributions made in favor of unitholders or shareholders.

Where an Italian resident holder of a Note is a pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of December 5, 2005) and the Notes are deposited with an authorized intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute tax (with certain adjustments for fiscal year 2015 as provided by Law No. 190 of December 23, 2014 (the "**Finance Act for 2015**")).

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Economics and Finance (each an "**Intermediary**").

An Intermediary must (i) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary and (ii) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of the Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a holder of a Note.

Non-Italian resident holders

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy; or (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (c) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of taxpayer in its own country of residence.

The *imposta sostitutiva* will be applicable at the rate of 26 per cent. (or at the reduced rate provided for by the applicable double tax treaty, if any) to interest, premium and other income paid to Noteholders who are resident, for tax purposes, in countries which do not allow for a satisfactory exchange of information with Italy.

The countries which allow for a satisfactory exchange of information are listed in the Ministerial Decree dated 4 September 1996, as amended from time to time.

Please note that according to the Law No. 244 of December 24, 2007 ("**Budget Law 2008**") a Decree still to be issued will introduce a new "white list" replacing the current "black list" system, so as to identify those countries which allow for a satisfactory exchange of information.

In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of the payments of interest, premium or other income and (a) deposit, directly or indirectly, the Notes with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralized securities management system which is in contact, via computer, with the Ministry of Economy and Finance and (b) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of December 12, 2001, as subsequently amended.

Payments made by a Guarantor

With respect to payments on the Notes made to certain Italian resident Noteholders by a Guarantor (whether resident or not in Italy), in accordance with one interpretation of Italian tax law, any such payment made by the Guarantor could be treated, in certain circumstances, as payments made by the relevant Issuer and would thus be subject to the tax regime of payments made by the Issuer described in the previous paragraphs of this section.

With respect to payments on the Notes made to certain Italian resident Noteholders by an Italian resident Guarantor, in accordance with another interpretation of Italian tax law, any payment of liabilities equal to interest and other proceeds from the Notes may be subject to a provisional or final withholding tax at a rate of 26 per cent. pursuant to Presidential Decree No. 600 of September 29, 1973, as subsequently amended.

In case of payments to non-Italian resident Noteholders made by an Italian resident Guarantor, the withholding tax may be applied as a final tax. Double taxation treaties entered into by Italy may apply allowing for a lower (on, in certain cases, nil) rate of withholding tax.

Capital Gains Tax

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the “status” of the holder, also as part of the net value of production for IRAP purposes) if realized by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident holder of the Notes is an individual not holding the Notes in connection with an entrepreneurial activity and certain other persons, any capital gain realized by such holder of the Notes from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 26 per cent. Holders of the Notes may set off losses with gains.

In respect of the application of the *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the “tax declaration” regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realized by the Italian resident individuals holding the Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realized in any tax year, net of any relevant incurred capital loss, in the annual tax

return and pay *imposta sostitutiva* on such gains together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realized in any of the four succeeding tax years. Pursuant to Law Decree No. 66 of April 24, 2014, as converted into law with amendments by Law No. 89 of June 23, 2014 ("**Decree 66**"), capital losses may be offset against capital gains of the same nature realized after June 30, 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realized before 1 January 2012; (ii) 76.92 per cent of the capital losses realized from January 1, 2012 to June 30, 2014.

As an alternative to the tax declaration regime, Italian resident individuals holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realized on each sale or redemption of the Notes (the *risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and (ii) an express election for the *risparmio amministrato* regime being punctually made in writing by the relevant holder of the Notes. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realized on each sale or redemption of the Notes (as well as in respect of capital gains realized upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the holder of the Notes or using funds provided by the holder of the Notes for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realized, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the holder of the Notes is not required to declare the capital gains in its annual tax return. Pursuant to Decree 66, capital losses may be offset against capital gains of the same nature realized after June 30, 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realized before January 1, 2012; (ii) 76.92 per cent of the capital losses realized from January 1, 2012 to June 30, 2014.

Any capital gains realized by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorized intermediary and have opted for the so-called "*risparmio gestito*" regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realized, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorized intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against any increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the holder of the Notes is not required to declare the capital gains realized in its annual tax return. Pursuant to Decree 66, capital losses may be offset against capital gains of the same nature realized after June 30, 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realized before January 1, 2012; (ii) 76.92 per cent of the capital losses realized from January 1, 2012 to June 30, 2014

Any capital gains realized by a holder of the Notes which is a Fund will not be subject to *imposta sostitutiva*, but will be included in the result of the relevant portfolio. Such result will not be taxed with the Fund, but subsequent distributions in favor of unitholders or shareholders may be subject to the Collective Investment Fund Tax.

Any capital gains realized by a holder of the Notes which is an Italian pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of December 5, 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20 per cent. substitute tax (with certain adjustments for fiscal year 2015 as provided by the Finance Act for 2015).

Any capital gains realized by a Noteholder who is an Italian real estate fund to which the provisions of Decree 351 as subsequently amended apply or a Real Estate SICAF will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund or the Real Estate SICAF.

Capital gains realized by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Notes are connected, from the sale or redemption of Notes traded on regulated markets are neither subject to the *imposta sostitutiva* nor to any other Italian income tax.

Capital gains realized by non-Italian resident Noteholders from the sale or redemption of Notes not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary: (a) is resident in a country which allows for a satisfactory exchange of information with Italy; or (b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages, inter alia, the official reserves of a foreign State; or (d) is an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of taxpayer in its own country of residence.

The countries which allow for a satisfactory exchange of information are listed in the Ministerial Decree dated September 4, 1996, as amended from time to time.

Please note that, according to the Budget Law 2008, a Decree still to be issued should introduce a new 'white list' replacing the current "black list" system, so as to identify those countries which (i) allow for a satisfactory exchange of information; and (ii) do not have a more favorable tax regime.

If none of the conditions above is met, capital gains realized by non-Italian resident Noteholders from the sale or redemption of Notes not traded on regulated markets are subject to the *imposta sostitutiva* at the current rate of 26 per cent.

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are connected that may benefit from a double taxation treaty with Italy providing that capital gains realized upon the sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realized upon the sale or redemption of the Notes.

Inheritance and gift taxes

Pursuant to Law Decree No. 262 of October 3, 2006 converted into Law No. 286 of November 24, 2006, as subsequently amended, the transfers of any valuable asset (including shares, bonds or other securities) as a result of death or donation are taxed as follows:

- transfers in favor of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding, for each beneficiary, €1,000,000;
- transfers in favor of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favor of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding, for each beneficiary, €100,000; and
- any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

If the transfer is made in favor of persons with severe disabilities, the tax is levied at the rate mentioned above on the value exceeding, for each beneficiary, €1,500,000.

Transfer tax

Following the repeal of the Italian transfer tax, contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarized deeds are subject to fixed registration tax at rate of €200; (ii) private deeds are subject to registration tax only in case of use or voluntary registration.

Stamp duty

Pursuant to Article 19(1) of Decree No. 201 of December 6, 2011 ("**Decree 201**"), a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary to a Noteholder in respect of any Notes which may be deposited with such financial intermediary in Italy. As of 1 January 2014, the stamp duty applies at a rate of 0.2 per cent. and, for taxpayers different from individuals, cannot exceed €14,000. This stamp duty is determined on the basis of the market value or – if no market value figure is available – the nominal value or redemption amount of the Notes held.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on May 24, 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on June 20, 2012 of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Wealth Tax on Notes deposited abroad

Pursuant to Article 19(18) of Decree 201, Italian resident individuals holding Notes outside the Italian territory are required to pay an additional tax at a rate of 0.2 per cent.

This tax is calculated on the market value of the Notes at the end of the relevant year or – if no market value figure is available – the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income (the "**Directive**"), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On March 24, 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from January 1, 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which operate a withholding system when they are implemented.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

Implementation in Italy of the Directive

Italy has implemented the Directive through Legislative Decree No. 84 of April 18, 2005 ("**Decree 84**"). Under Decree 84, subject to a number of important conditions being met, in the case of interest paid to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian qualified paying agents shall report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner and shall not apply the withholding tax. Such information is transmitted by the Italian tax authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

The proposed European financial transactions tax (FTT)

On February 14, 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**).

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued by participating Member States indicate an intention to implement the FTT by January 1, 2016.

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

Prospective holders of the Notes are strongly advised to seek their own professional advice in relation to the FTT.

Taxation in Switzerland

The following discussion is a summary of certain material Swiss tax considerations and describes certain taxes withheld by Switzerland for foreign countries based on the legislation, regulations, decisions and administrative practice as of the date of this Prospectus. It does not aim to be a comprehensive description of all the Swiss tax considerations that may be relevant for a decision to invest in Notes. The tax treatment for each investor depends on the particular situation. All investors are advised to consult with their professional tax advisors as to the respective Swiss tax consequences of the purchase, ownership, disposition, lapse, exercise or redemption of Notes in light of their particular circumstances.

Swiss Federal Withholding Tax

All payments by the Issuer, of interest on, and repayment of principal of, the Notes will be made without deduction of Swiss federal withholding tax.

Swiss Federal Stamp Taxes

Under the current Swiss federal stamp duty legislation, there are no stamp, issue, registration, transfer or similar taxes imposed by Switzerland in connection with the issue or redemption of the Notes.

Purchases or sales of Notes where a Swiss domestic bank or a Swiss domestic securities dealer (as defined in the Swiss federal stamp duty act) is a party, or acts as an intermediary, to the transaction may be subject to Swiss federal stamp duty on dealings in securities at a rate of up to 0.3% of the purchase price of the Notes. Where both the seller and the purchaser of the Notes are non-residents of Switzerland or the Principality of Liechtenstein, no Swiss federal stamp duty on dealing in securities is payable.

Income Taxation on Principal or Interest

Notes Held by Non-Swiss Holders

Payments by the Issuer or the Guarantors of interest and repayment of principal to, and gain realized on the sale or redemption of Notes by, a holder of Notes who is not a resident of Switzerland and who during the relevant taxation year has not engaged in a trade or business through a permanent establishment or a fixed place of business in Switzerland to which the Notes are attributable and who is not subject to income taxation in Switzerland for any other reason will not be subject to any Swiss federal, cantonal or communal income tax.

Swiss Resident Private Noteholders

The Notes will be classified as ordinary bonds in accordance with Circular No 15 issued by the Swiss Federal Tax Administration on February 7, 2007. Therefore, for private Noteholders resident in Switzerland who hold the Notes as private assets (*Privatvermögen*), the interest payments are treated as taxable interest and, thus, subject to Swiss federal, cantonal and communal income taxes. Furthermore, the difference between the redemption amount or the Make Whole Amount and the nominal amount received by a Swiss resident Noteholder upon a Redemption at the Option of the Holder upon a Change of Control, a Redemption at the Option of the Issuer following Equity Offering or a Redemption at the Option of the Issuer is treated as taxable interest subject to Swiss federal, cantonal and communal income taxes.

Capital gains and losses

Swiss resident individuals who sell or otherwise dispose of privately held Notes realize either a tax-free private capital gain or a non-tax-deductible capital loss. See "*Notes held as Swiss Business Assets*" below for a summary on the tax treatment of individuals classified as "professional securities dealers."

Notes Held as Swiss Business Assets

Individuals who hold Notes as part of a business in Switzerland and Swiss-resident corporate taxpayers and corporate taxpayers residing abroad holding Notes as part of a permanent establishment or fixed place of business in Switzerland are required to recognize the payments of interest and any capital gain or loss realized on the sale or other disposition of such Notes in their income statement for the respective tax period and will be taxable on any net taxable earnings for such tax period. The same taxation treatment also applies to Swiss-resident individuals who, for income tax purposes, are classified as "professional securities dealers" for reasons of, inter alia, frequent dealings and leveraged transactions in securities.

Taxes withheld by Switzerland for other countries

European Savings Tax

On October 26, 2004, the European Community and Switzerland entered into an agreement on the taxation of savings income pursuant to which Switzerland will adopt measures equivalent to those of the European Directive 2003/48/EC of June 3, 2003 on the taxation of savings income in the form of interest payments. The agreement came into force as of July 1, 2005.

In accordance with this agreement under Swiss law, Swiss paying agents have to withhold tax at a rate of 35% on interest payments made under the Notes to a beneficial owner who is an individual and resident of an EU

Member State, with the option of the individual to have the paying agent and Switzerland provide to the tax authorities of the EU Member State the details of the interest payments in lieu of the withholding. Such report will substitute the tax retention.

Foreign Final Withholding Tax

The Swiss Federal Council signed treaties with the United Kingdom and Austria providing, *inter alia*, for a final withholding tax. The treaties entered into force on January 1, 2013.

According to the treaties, a Swiss paying agent may levy a final withholding tax on capital gains and on certain income items deriving, *inter alia*, from Notes. The final withholding tax will replace the ordinary income tax due by an individual resident of a contracting state on such gains and income items. The final tax rate is 25% under the agreement with Austria and, depending on the category of income, between 27% and 48% under the agreement with the United Kingdom. Both agreements on final withholding taxes provide for a carve-out for interest payments to the extent such interest payments are subject to the EU Savings Tax Directive for Swiss paying agents. In lieu of the final withholding, individuals may opt for a voluntary disclosure of the relevant capital gains and income items to the tax authorities of their state of residency.

Holders of Notes who might be within the scope of the above mentioned treaties should consult their own tax adviser as to the tax consequences relating to their particular circumstances.

SUBSCRIPTION AND SALE

The Placement Agent has, in a placement agreement dated March 24, 2015 (the "**Placement Agreement**") and made between the Issuer, the Original Guarantors and the Placement Agent, upon the terms and subject to the conditions contained therein, agreed to use its reasonable endeavors to procure purchasers who will subscribe and pay for the Notes at their issue price of 100 per cent. of their principal amount. The Issuer has agreed to pay the Placement Agent certain commissions and to reimburse the Placement Agent for certain of its expenses incurred in connection with the placement of the Notes. The Placement Agent is entitled in certain circumstances to be released and discharged from its obligations under the Placement Agreement prior to the closing of the issue of the Notes.

General

No action has been or will be taken in any jurisdiction by the Issuer or the Placement Agent that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus comes are required by the Issuer and the Placement Agent to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

The Placement Agent has represented, warranted and agreed that it will to the best of its knowledge and belief comply with all the relevant laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Prospectus or any other offering material.

United States of America

The Notes have not been and will not be registered under the Securities Act or any state securities laws in the United States. The Notes are being offered only outside the United States by the Placement Agent to certain investors in offshore transactions in reliance on Regulation S, and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, "U.S. persons", except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S.

The Placement Agent has represented and warranted that it has not offered and sold the Notes, and that it will not offer and sell the Notes, (a) as part of its own distribution at any time, or (b) otherwise until forty (40) days after the later of the commencement of the offering and the Issue Date, except in accordance with Rule 903 of Regulation S. Accordingly, neither the Placement Agent, any of its Affiliates (as defined in Rule 405 of the Securities Act) nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to the Notes, and the Placement Agent has represented and agreed that they have complied and will comply with the offering restrictions requirement of Regulation S. The Placement Agent has agreed that, at or prior to confirmation of sale of the Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases the Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

> "The securities covered hereby have not been registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered and sold within the United States or to, or for the account or benefit of, "U.S. persons" (i) as part of their distribution at any time, or

(ii) otherwise, until forty (40) days after the later of the commencement of the offering and the Issue Date, except pursuant to an exemption from, or in a transaction not subject to, the regulation requirements of the Securities Act. Terms used above have the meanings given to them by Regulation S."

Terms used in the above paragraph have the meanings given to them by Regulation S.

The Placement Agent has represented, warranted and agreed with the Issuer that:

(a) except to the extent permitted under U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) (or substantially identical successor regulation) (the "**D Rules**"):

    (i) it has not offered or sold, and during the forty (40) day restricted period will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person; and

    (ii) it has not delivered and will not deliver in definitive form within the United States or its possessions any definitive Notes in bearer form that are sold during the restricted period;

(b) it has, and throughout the restricted period will have, in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

(c) if it is a United States person, (i) it is acquiring the Notes in bearer form for the purposes of resale in connection with their original issue and (ii) if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treasury Regulation §1.163-5(c)(2)(i)(D)(6)(or substantially identical successor regulation); and

(d) with respect to each Affiliate (as defined in Rule 405 of the Securities Act) of the Placement Agent that acquires Notes in bearer form from the Placement Agent for the purpose of offering or selling such Notes during the restricted period, the Placement Agent undertakes to the Issuer that it will either (i) repeat and confirm the representations and agreements contained in sub-paragraphs (a), (b) and (c) above on its behalf, or (ii) obtain from such affiliate for the benefit of the Issuer the representations and undertakings contained in sub-paragraphs (a), (b) and (c) above.

Terms used in the above paragraph have the meaning given to them by the Code and regulations thereunder, including the D Rules.

In addition, until forty (40) days after the commencement of the offering, an offer or sale of securities within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

The Placement Agent has acknowledged that the Notes will be represented upon issuance by the Temporary Global Note which is not exchangeable for Permanent Global Notes or definitive Notes until the expiration of the 40-day distribution compliance period and, for persons other than distributors, until certification of beneficial ownership of the Notes by a non-U.S. person or a U.S. person who purchased securities in a transaction that did not require registration under the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S.

The Republic of Italy

The offering of the Notes has not been cleared by CONSOB pursuant to Italian securities legislation. Accordingly, no Notes may be offered, sold or delivered, directly or indirectly, nor may copies of the Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(i) to qualified investors (*investitori qualificati*), as defined under Article 100 of the Legislative Decree No. 58 of February 24, 1998, as amended (the "**Italian Financial Act**"), as implemented by Article 26, paragraph 1(d) of CONSOB Regulation No. 16190 of October 29, 2007, as amended ("**CONSOB Regulation No. 16190**"), pursuant to Article 34-*ter*, first paragraph, letter b), of CONSOB Regulation No. 11971 of May 14, 1999, as amended ("**CONSOB Regulation No. 11971**"); or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Act and its implementing CONSOB Regulations including CONSOB Regulation No. 11971.

Any such offer, sale or delivery of the Notes or distribution of copies of the Prospectus or any other document relating to the Notes in the Republic of Italy must be in compliance with the selling restriction under (i) and (ii) above and:

(a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with the relevant provisions of the Italian Financial Act, CONSOB Regulation No. 16190, Legislative Decree No. 385 of September 1, 1993 as amended (the "**Banking Act**") and any other applicable laws or regulation;

(b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy or by Italian persons outside of Italy; and

(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or the Bank of Italy or any other Italian authority.

United Kingdom

The Placement Agent has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the "**FSMA**")) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA and the regulations adopted thereunder with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Switzerland

This Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes may not be publicly offered, distributed, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article

1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and neither this Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Prospectus nor any other offering or marketing material relating to the offering, nor the company nor the Notes have been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory Authority FINMA (FINMA), and investors in the Notes will not benefit from protection or supervision by such authority.

GENERAL INFORMATION

Listing and Admission to Trading

Application has been made for the Notes to be listed on the Official List of the Irish Stock Exchange and admitted to trading on the regulated market of the Irish Stock Exchange. Admission is expected to take effect on or about the Issue Date.

Authorization

The Issuer and each Original Guarantor has obtained all necessary consents, approvals and authorizations in connection with the issue and performance of their respective obligations under the Notes and the Original Guarantees. The creation and issue of the Notes has been authorized by resolutions of the Board of Directors of the Issuer dated February 19, 2015. The provision of the Original Guarantees have been authorized by a resolution of the Board of Directors of Intercos Europe and CRB on February 25, 2015 (as supplemented on March 6, 2015) and March 17, 2015, respectively.

Expenses Related to Admission to Trading

The total expenses related to admission to trading are estimated at euro €4,940 including all fees payable to maturity.

Legal and Arbitration Proceedings

Save as disclosed on pages 102 to 104 of this Prospectus, neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

Auditors

The consolidated financial statements of the Issuer and its Subsidiaries as at and for the year ended December 31, 2013 included in the Annual Consolidated Financial Statements, and the Interim Consolidated Financial statements of the Issuer and its Subsidiaries as of June 30, 2014, appearing elsewhere herein, have been prepared in accordance with IFRS and have been audited by EY. Further EY audited the adjustments to restate the historical consolidated financial statements as of and for the years ended December 31, 2012 and 2011 described in section "*Presentation of Financial and Other Information*". of the notes to the consolidated financial statements. EY is registered under the Single Register of Legal Auditors at the Ministry of Economy and Finance (*Registro Unico dei Revisori Legali presso il Ministero dell'Economia e delle Finanze*), State General Accounting (*Ragioneria Generale dello Stato*).

The historical consolidated financial statements of the Issuer and its Subsidiaries as at and for the year ended December 31, 2012 and 2011, prepared for official and statutory purposes in Italy, have been prepared in accordance with IFRS and have been audited by PwC. PwC is registered under the Single Register of Legal Auditors at the Ministry of Economy and Finance (*Registro Unico dei Revisori Legali presso il Ministero dell'Economia e delle Finanze*), State General Accounting (*Ragioneria Generale dello Stato*).

The financial statements of Intercos Europe as at and for the year ended December 31, 2013 have been prepared in accordance with IFRS and have been audited by EY. The financial statements of Intercos Europe as at and for the year ended December 31, 2012 have been prepared in accordance with IFRS and have been audited by PwC.

The financial statements of CRB for the year ended December 31, 2013 have been audited by Ernst & Young S.A. Ernst & Young S.A. is registered under the Federal Audit Oversight Authority (*Autorité fédérale de surveillance en matière de révision ASR*) as a state-regulated audit firm. The financial statements of CRB for the year ended December 31, 2012 have been audited by PricewaterhouseCoopers S.A. PricewaterhouseCoopers S.A. is registered under the Federal Audit Oversight Authority (*Autorité fédérale de surveillance en matière de révision ASR*) as a state-regulated audit firm.

Significant Material Change

Save as disclosed in this Prospectus in "*Description of the Issuer-Recent and Proposed Developments*" and in the Interim Financial Information, since December 31, 2013, there has been no material adverse change in the prospects of the Issuer or the Original Guarantors and since June 30, 2014 there has been no significant change in the financial or trading position of the Issuer or the Original Guarantors.

Documents on Display

For so long as any of the Notes are outstanding, copies of the following documents may be inspected in electronic format during normal business hours at the specified office of each Paying Agent:

(a) the constitutive documents of the Issuer and the Original Guarantors;

(b) the Trust Deed (including the Original Guarantees);

(c) the Agency Agreement;

(d) the Intercreditor Agreement;

(e) the most recently published audited consolidated annual financial statements of the Issuer;

(f) the most recently published semi-annual unaudited consolidated financial statements of the Issuer; and

(g) the most recently published quarterly unaudited consolidated financial statements of the Issuer.

A copy of this Prospectus and any document incorporated by reference in this Prospectus will also be electronically available for viewing on the website of the Issuer at http://web.intercos.it/bond/.

Legend for any U.S. Person

The Notes and any Coupons appertaining thereto will bear a legend to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

ISIN and Common Code

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The International Securities Identification Number for the Notes is XS1200651906 and the Common Code is 120065190. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L-1855 Luxembourg.

Yield

Based on issue price of 100 per cent. of the principal amount of the Notes, the yield on the Notes is 3.875 per cent. on an annual basis. The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

Potential Conflicts of Interest

The Placement Agent and its affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Placement Agent and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates or any entity related to the Notes.

In addition, Banca IMI S.p.A. is Security Agent (in respect of the Notes and the Bank Facilities Agreement) and is also a lender under the Bank Facilities Agreement. The net proceeds of the issue of the Notes will be used by the Issuer to refinance existing financial indebtedness of the Group (as further described in "*Use of Proceeds*").

Post-issuance Information

The Issuer will not provide any post-issuance information, except if required by any applicable laws and regulations.

OVERVIEW OF CERTAIN DIFFERENCES BETWEEN INTERNATIONAL FINANCIAL REPORTING STANDARDS AND SWISS GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Introduction

Intercos S.p.A. prepares and publishes annual consolidated audited financial statements in accordance with IFRS. Each company of the Intercos Group prepares annual non-consolidated audited financial statements in accordance with IFRS or local GAAP, and in particular CRB S.A. prepares annual non-consolidated audited financial statements in accordance with Swiss GAAP, as defined by the Swiss Code of Obligations ("**SCO**").

IFRS differs significantly in certain respects from Swiss GAAP. Swiss GAAP has basic and general accounting rules and it is not as comprehensive as IFRS. The following non-exhaustive summary describes certain differences between the significant accounting policies as applied under IFRS compared to Swiss GAAP as of December 31, 2014.

The following summary is not intended to provide a comprehensive listing of all such differences specifically related to CRB S.A. or the industries in which CRB S.A. operate and may not include all differences that exist between IFRS and Swiss GAAP. No attempt has been made to identify all valuation, disclosure, presentation or classification differences that would affect the manner in which transactions and events are valued and presented in the financial statements or the notes thereto.

Objective

IFRS's objective is to provide information about the financial position, performance and changes in financial position of an entity that is useful to a wide range of users in making economic decisions. The financial statements are therefore investor/shareholder driven. IFRS provides detailed guidance on specific accounting treatments and disclosure requirements under IFRS are extensive.

The SCO's main objective is to protect creditors and to set the basis for taxation. SCO financial statements are primarily driven by the principle of prudence and cannot be described as true and fair; overstatements of liabilities and understatements of assets are allowed but are usually limited to the boundaries permitted by tax legislation.

The SCO provides basic guidance on general accounting treatments and disclosure requirements in the notes are limited, thus leaving significant room for interpretation.

Components of financial statements

IFRS financial statements consist of six elements: statement of financial position, statement of income, statement of comprehensive income, statement of cash flows, statements of changes in equity and notes including a description of the accounting policies and other explanatory notes.

The SCO financial statements consist of three elements: statement of financial position, statement of income and notes (only limited notes required by the SCO).

Consolidation requirements

IFRS requires consolidated financial statements including all subsidiaries when control of the subsidiaries exists. Generally a parent does not need to present consolidated financials if the parent is itself a wholly owned subsidiary, the parent's debt or equity instruments are not traded in a public market, the parent is not in the process of filing its financial statements with a securities commission or other regulatory organization and

the ultimate parent or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS. Any goodwill should be assessed for impairment annually.

The SCO requires consolidation if certain size criteria are met. However, under certain conditions, the SCO waives the consolidation requirement if the ultimate or any intermediate parent produces consolidated financial statements which are available to the company's shareholders. Goodwill should be amortized over a fixed period of time. In addition, goodwill may be offset against equity at acquisition date.

Translation of financial statements

Under IFRS, for financial statements that are presented in another currency than the functional currency of the entity, assets and liabilities are translated into the presentation currency using year end exchange rates, while their income statements are translated using average rates of exchange for the year. Translation adjustments are included as a separate component of shareholders' equity and have no income statement impact provided no disposals of investments have occurred.

Under SCO, a company's accounting records may be kept in currencies other than Swiss Francs. However, the statutory financial statements must be presented in Swiss Francs. When the underlying accounting records are not kept in Swiss Francs, monetary assets and liabilities are translated into Swiss Francs using year end exchange rates, non monetary assets translated using either year-end or historical rates while the income statement is translated using average rates of exchange for the year. Any translation difference resulting in an unrealized gain is classified as a liability (deferred translation gain), whereas any translation loss is recorded in the income statement.

Tangible fixed assets

Under SCO, tangible fixed assets are measured at amortized costs, but not based on an useful life but on a rate defined by the tax authorities and a declining balance method.

Receivables

Under IFRS, individual debtors are required to be assessed for impairment. For any identified impairment loss arising from past events, a provision for doubtful debts should be recognized.

Under the SCO, in addition to the amounts required under IFRS, additional general provisions for doubtful debts are generally allowed up to a maximum of 10% of total debts for foreign debts and 5% of total debts for domestic debts.

Inventories

Under IFRS, inventories are carried at the lower of cost and net realizable value using first-in, first-out (FIFO) or the weighted average method to determine cost. In addition, IFRS also permits commodity trading companies to measure their trading inventories at fair value less costs to sell.

Under the SCO, inventories are measured at the lower of cost and net realizable value. SCO permits a general valuation allowance, up to 33 % of the total value of inventories.

Investment in associates / subsidiaries

Under IFRS, when preparing consolidated financial statements, investments in associated companies are accounted for using the equity method or in the case where there is no significant influence treated as an available for sale financial asset as described in IAS 39. Equity accounting involves Intercos recording its share of the associated entity's net income and equity. Subsidiaries would be consolidated when preparing consolidated financial statements. When separate financial statements are prepared, investments in associates and subsidiaries can be recognized at either cost or fair value in accordance with IAS 39.

SCO requires consolidated financial statements to be prepared under certain conditions. However the accounting principles applied in preparing these consolidated financial statements are not dictated by SCO. In the unconsolidated financial statements required under SCO, investments in associates and subsidiaries are recorded at the lower of cost or net realizable value.

Employee post employment benefits

IFRS distinguishes between defined contribution and defined benefit plans. Post retirement obligations that meet the criteria of defined benefit plans need to be accounted for using the projected unit credit method. As in general Swiss pension plans are defined benefits plans under IFRS, this could lead to the recognition of a pension plan liability (or an asset) in the balance sheet, depending on the method used, and the actuarial calculation.

Pension liabilities and amounts due to pension funds need to be disclosed separately in the financial statements prepared in accordance with the SCO. Under the SCO, it is generally assumed that the employer normally does not have any other obligation than to pay the contributions to the pension fund, unless additional contributions are decided by the board of the pension fund in the case of undercoverage. Therefore, no pension liability is usually recognized in the company's books, unless there is a legal obligation towards the pension fund or the employees.

Revenue recognition

Under IFRS, revenue is generally recognized when the risk and rewards of the goods is transferred. Under the SCO, revenue is generally recognized once the legal title of the goods passes to the new owner. Measurement of derivatives, of fair value hedges and cash flow hedges Under IFRS, derivatives including derivatives designated as hedge instruments are measured at fair value. The recognition of changes in fair value is recorded in the income statement except for effective cash flow hedges, of which the changes in fair value are deferred in equity until the effect of the underlying transaction is recognized in the income statement. This issue is not addressed in the SCO, although the concept of prudence would generally require that expected losses on derivative designated as hedge instruments, are recorded in the income statement or disclosed as a contingent liability.

Accounting for tax

Under IFRS, detailed guidance regarding recognition of deferred tax assets and liabilities is provided.

Deferred tax assets have to be recognized on tax loss carry forwards if realization of the tax benefit is probable.

Under the SCO, financial statements prepared in accordance with the SCO are the basis for the tax calculation by the tax authorities, subject to any adjustments i.e. unjustified provisions or depreciation as defined by the tax authorities. Deferred taxes are not dealt with in the SCO. Due to the prudence principle, the SCO does not permit the recognition of deferred tax assets.

Extraordinary items

Under IFRS, the term "extraordinary" does not exist. Therefore, all items of income and expense are to be presented as arising from the entity's ordinary activities.

Under the SCO, the term "extraordinary" is fairly broad and includes profits and losses from transactions not related to the normal course of business or the current accounting period. The SCO does not prescribe a specific presentation of such items in the income statement.

AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF THE GROUP AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

Explanatory Introduction to the Audited Consolidated Annual Financial Statements of the Group as at and for the years ended December 31, 2013, 2012 and 2011 (F-pages)

The financial information presented in the Audited Consolidated Annual Financial Statements of the Group as at and for the years ended December 31, 2013, 2012 and 2011 (F-pages) was approved by the Board of Directors of the Issuer on July 17, 2014 for the purposes of being incorporated into a prospectus (in the Italian language) approved by CONSOB and translated into English for the purpose of a connected offering memorandum.

The financial information included in the F-pages as at and for the year ended December 31, 2013 is identical to that included in the audited historical consolidated financial statements of the Group, prepared for official and statutory purposes in Italy, as of and for the year ended December 31, 2013, incorporated by reference in this Prospectus, except for the reclassification of certain financial and trade payables for a total amount of Euro 1,534 thousand from Non-current liabilities to Current liabilities. The reclassification affects also the presentation of such headings in the consolidated statement of cash flow for the year ended December 31, 2013. Such a reclassification is consistent with the presentation used in the subsequent interim financial statements as at and for the period ended June 30, 2014.

The financial information included in the F-pages as at and for the year ended December 31, 2012 differs (i) from that included for comparative purposes in the audited historical consolidated financial statements of the Group, prepared for official and statutory purposes in Italy, as of and for the year ended December 31, 2013, incorporated by reference in this Prospectus, and (ii) from that included in the audited historical consolidated financial statements of the Group, prepared for official and statutory purposes in Italy, as of and for the year ended December 31, 2012, incorporated by reference in this Prospectus. The financial information included in the F-pages as at and for the year ended December 31, 2012 was restated in order to give a consistent and comparable representation of the figures for the period as explained in detail in the note “3. Restatement of the consolidated financial statements of the Issuer for the years ended on December 31, 2012 and 2011”.

The financial information included in the F-pages as at and for the year ended December 31, 2011 has been included for consistency with the financial information included in the approved prospectus and connected offering memorandum referred to above and for a better presentation of the restatement of the financial information as at and for the year ended December 31, 2012.

Independent Auditors' Report

Reconta Ernst & Young S.p.A.
Via della Chiusa, 2
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Independent auditors' report
(Translation from the original Italian text)

To the Shareholders of
Intercos S.p.A.

1. We have audited the consolidated financial statements of Intercos S.p.A. and its subsidiaries, (the "Intercos Group") as of December 31, 2013 and for the year then ended, comprising the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union is the responsibility of Intercos S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards issued by the Italian Accounting Profession (CNDCEC) and recommended by the Italian Stock Exchange Regulatory Agency (CONSOB). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

3. In our opinion, the consolidated financial statements of the Intercos Group at December 31, 2013 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Intercos Group for the year then ended.

4. We have also audited the adjustments described in the note "Restatement of the consolidated financial statements of the Issuer for the years ended on December 31, 2012 and 2011" which have been applied to correct an error and to restate the comparative data related to the prior years in order to provide a consistent presentation with the data at December 31, 2013. In our opinion, such adjustments are appropriate and have been correctly applied. We have not been engaged to audit nor performed audit procedures on the consolidated financial statements at December 31, 2012 and 2011 apart from the above mentioned adjustments and therefore we do not express any opinion on the consolidated financial statements at December 31, 2012 and 2011.

Milan, July 18, 2014

Reconta Ernst & Young S.p.A.
/s/ Paolo Zocchi, Partner

This report has been translated into the English language solely for the convenience of international readers.

Reconta Ernst & Young S.p.A.
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AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the shareholders of
Intercos SpA

1. We have audited the consolidated financial statements of Intercos SpA and its subsidiaries (Intercos Group) as of 31 December 2012 which comprise the statement of financial position, separate income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and related notes. The directors of Intercos SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards and criteria recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 28 May 2012.

3. In our opinion, the consolidated financial statements of Intercos Group as of 31 December 2012 comply with the International Financial Reporting Standards as adopted by the European Union; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of Intercos SpA for the period then ended.

4. The directors of Intercos SpA are responsible for the preparation of a report on operations in compliance with the applicable laws. Our responsibility is to express an opinion on the consistency of the report on operations with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard No. 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the

PricewaterhouseCoopers SpA

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report on operations is consistent with the consolidated financial statements of Intercos SpA as of 31 December 2012.

Milan, 13 June 2013

PricewaterhouseCoopers SpA

Signed by
Giovanni Andrea Toselli
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.
We have not examined the translation of the financial statements referred to in this report.

Independent Auditors' Report

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the shareholders of
Intercos SpA

1. We have audited the consolidated financial statements of Intercos SpA and its subsidiaries (Intercos Group) as of 31 December 2011 which comprise the statement of financial position, separate income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and related notes. The directors of Intercos SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards and criteria recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 3 May 2011.

3. In our opinion, the consolidated financial statements of Intercos Group as of 31 December 2011 comply with the International Financial Reporting Standards as adopted by the European Union; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of Intercos SpA for the period then ended.

4. Without qualifying our opinion we draw your attention to the fact that, as part of the reorganization of the group, during the year the Company carved out its industrial business of manufacturing and marketing of cosmetic products to the subsidiary Color Cosmetics Srl (the latter later transformed into a limited company under the name of Intercos Europe SpA). At the same time, Intercos Europe SpA merged with the sister company Interfila Srl. The reorganization of the group was described in the report on operations and the related accounting effects have been described in the notes to the consolidated financial statements.

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5. The directors of Intercos SpA are responsible for the preparation of a report on operations in compliance with the applicable laws. Our responsibility is to express an opinion on the consistency of the report on operations with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard No. 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the report on operations is consistent with the consolidated financial statements of Intercos SpA as of 31 December 2011.

Milan, 28 May 2012

PricewaterhouseCoopers SpA

Signed by
Giovanni Andrea Toselli
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.
We have not examined the translation of the financial statements referred to in this report.

Intercos S.p.A. and Subsidiaries
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of December 31, 2013, 2012 and 2011

	At December 31,			
	2013	**2012 restated**	**2011 restated**	**Notes**
	(in thousands of Euro)			
Assets				
Non-current assets				
Property, plant and equipment	87,489	95,782	100,921	(6)
Intangible assets	16,545	16,585	15,706	(7)
Goodwill	74,472	74,434	74,969	(8)
Deferred tax assets	21,517	25,647	24,152	(9)
Other non-current receivables	7,478	7,268	4,173	(10)
Total non-current assets	**207,501**	**219,716**	**219,921**	
Current assets				
Inventories	64,010	68,051	63,997	(11)
Trade receivables	72,579	65,810	66,067	(12)
Other current receivables	14,987	11,645	14,240	(13)
Cash and cash equivalents	33,741	34,989	22,877	(14)
Total current assets	**185,317**	**180,496**	**167,181**	
Total assets	**392,818**	**400,214**	**387,102**	
Shareholders' equity				
Shareholders' equity attributable to owners of the company				
Share capital	10,710	10,710	10,710	(15)
Reserves	66,266	66,027	66,063	(15)
Retained earnings/(losses brought forward)	4,074	(2,816)	(9,485)	(15)
Total shareholders' equity attributable to owners of the company	**81,050**	**73,921**	**67,288**	(15)
Shareholders' equity attributable to non-controlling interests				(15)
Share capital and reserves attributable to non-controlling interests	1,476	3,941	3,480	(15)
Net profit/(loss) attributable to non-controlling interests	242	35	196	(15)
Total shareholders' equity attributable to non-controlling interests	**1,717**	**3,976**	**3,676**	(15)
Total Shareholders' equity	**82,767**	**77,897**	**70,964**	(15)
Non-curent liabilities				
Borrowings from banks and other lenders	166,226	177,507	182,241	(16)
Other financial payables	-	-	2,520	(16)
Provisions for risks and charges	4,554	1,959	400	(17)
Deferred tax liabilities	9,759	14,756	14,601	(18)
Provisions for employee benefits	8,110	8,436	7,447	(19)

Intercos S.p.A. and Subsidiaries
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of December 31, 2013, 2012 and 2011

Total non-curent liabilities	**188,649**	**202,658**	**207,209**	
Current liabilities				
Current Borrowings from banks and other lenders	56,005	51,326	49,460	(16)
Other financial payables	-	2,094	1,589	(16)
Trade payables	47,070	45,939	43,114	(20)
Other payables	18,327	20,298	14,767	(21)
Total current liabilities	**121,401**	**119,657**	**108,930**	
Total equity and liabilities	**392,818**	**400,214**	**387,102**	

Intercos S.p.A. and Subsidiaries
CONSOLIDATED INCOME STATEMENTS AND OTHER COMPREHENSIVE INCOME
For the years ended December 31, 2013, 2012 and 2011

	Year ended December 31,			
	2013	2012 restated	2011 restated	Notes
	(in thousands of Euro)			
Revenues from sales of goods and services	329,760	296,099	259,839	(22)
Other income and revenues	4,708	4,429	4,578	(23)
Purchases of raw materials, semi-finished products and consumables	(120,868)	(105,836)	(95,741)	(24)
Variation in inventories of raw materials, semi-finished products and finished products	145	5,205	10,572	
Cost of services, leases and rental charges	(68,153)	(63,015)	(53,630)	(25)
Payroll costs	(92,658)	(86,806)	(78,600)	(26)
Accruals to provisions for risks	(180)	(236)	(300)	
Other operating costs	(4,426)	(2,989)	(9,104)	(27)
Operating result before depreciation, amortization and non-recurring operating revenue/expenses	**48,328**	**46,851**	**37,614**	
Depreciation and amortization	(20,864)	(21,576)	(19,940)	(28)
Non-recurring expenses	(5,584)	(1,524)	(15,440)	(29)
Operating Profit/(Loss)	**21,880**	**23,751**	**2,234**	
Financial income	248	196	625	(30)
Financial expenses	(8,557)	(10,289)	(13,747)	(31)
Income tax	(6,324)	(3,928)	763	(32)
Profit (Loss) from continuing operations	**7,247**	**9,730**	**(10,125)**	
Profit (Loss) from discontinued operations	319	(1,714)	345	(33)
Profit (Loss) for the year	**7,566**	**8,016**	**(9,780)**	
Other components of comprehensive income that may be subsequently reclassified to profit/(loss):	(1,139)	(441)	2,732	
Other components of comprehensive income that may not be subsequently reclassified to profit/(loss) :	(90)	(714)	(594)	
Total comprehensive income/(loss) for the year	**6,337**	**6,861**	**(7,642)**	
attributable to owners of Parent:	6,095	6,826	(7,838)	
attributable to non-controlling interests:	242	35	196	
Share information (per share)				
Base earnings per share	€ 0.71	€ 0.75	- € 0.97	(35)
Diluted earnings per share	€ 0.71	€ 0.75	- € 0.97	(35)

Intercos Group and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2013, 2012 and 2011

		Year ended December 31,		
		2013	2012 restated	2011 restated
		(in thousands of Euro)		
CASH FLOW PROVIDED BY /(USED IN) OPERATING ACTIVITIES				
Profit/(loss) for the period attributable to the owners of the Parent		**7,566**	**8,016**	**(9,780)**
Depreciation and amortization		20,939	21,171	20,058
Non-recurring revenues/charges		5,584	1,524	15,441
Change in provisions		(8,296)	1,056	1,439
Financial (income) and expenses		8,348	10,246	13,309
Decrease / (Increase) in inventories		1,157	(5,108)	(10,334)
Decrease / (Increase) in net trade receivables		(9,882)	(1,262)	(5,017)
Increase / (Decrease) in trade payables		3,240	4,652	6,494
Decrease / (Increase) in other assets		43	(896)	(10,159)
Increase / (Decrease) in other liabilities		(908)	5,692	1,370
Net cash flow provided by /(used in) operating activities	**(A)**	**27,791**	**45,091**	**22,821**
CASH FLOW PROVIDED BY /(USED IN) INVESTING ACTIVITIES				
Net acquisitions of property, plant and equipment		(7,450)	(10,139)	(13,680)
Net acquisitions of intangible assets		(5,762)	(6,241)	(5,511)
Net cash flows from sale of subsidiaries		1,387	1,739	
Net cash flow provided by /(used in) investing activities	**(B)**	**(11,825)**	**(14,641)**	**(19,191)**
CASH FLOW PROVIDED BY /(USED IN) FINANCING ACTIVITIES				
Share capital increase		-	-	25,000
Increase/(decrease) in borrowings from banks and other lenders		(8,799)	(8,000)	(20,384)
Interest paid during the year		(8,170)	(7,139)	(8,272)
Net cash flow provided by /(used in) financing activities	**(C)**	**(16,969)**	**(15,139)**	**(3,656)**
Changes in net equity	**(D)**	**(245)**	**(998)**	**2,558**
CASH FLOW FOR THE PERIOD	**(A+B+C+D)**	**(1,248)**	**14,313**	**2,532**
Cash flow for the period (discontinued operations)	**(E)**	**-**	**(2,201)**	**-**
TOTAL CASH FLOW FOR THE PERIOD	**(A+B+C+D+E)**	**(1,248)**	**12,112**	**2,533**
Cash and cash equivalents at the beginning of the year		34,989	22,877	20,344
Cash and cash equivalents at the end of the year		33,741	34,989	22,877
CHANGE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD		**(1,248)**	**12,112**	**2,533**

Intercos S.p.A. and Subsidiaries
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended December 31, 2013, 2012 and 2011
(in thousands of Euro)

	Share Capital	Other reserves (Share premium reserve)	Retained earnings/losses brought forward	Net profit / (loss) for the year	Total Shareholders' equity attributable to owners of parent	Equity attributable to non-controlling interests	Net profit/ (loss) attributable to non-controlling interests	Total
Balance at January 1, 2011 restated	**8,045**	**43,670**	**(4,711)**	**3,122**	**50,126**	**3,134**	**346**	**53,606**
Allocation of net income for the previous year	-	-	3,122	(3,122)	0	346	(346)	0
Share capital increase	2,665	22,335	-	-	25,000	-	-	25,000
Comprehensive income (loss) for the year	-	-	-	(7,838)	(7,838)	-	196	(7,642)
Balance at December 31, 2011 restated	**10,710**	**66,005**	**(1,589)**	**(7,838)**	**67,288**	**3,480**	**196**	**70,964**
Allocation of net income for the previous year	-	-	(7,838)	7,838	0	196	(196)	0
Comprehensive income (loss) for the year	-	-	-	6,826	6,826	-	35	6,861
Other movements	-	-	(193)	-	(193)	265	-	72
Balance at December 31, 2012 restated	**10,710**	**66,005**	**(9,620)**	**6,826**	**73,921**	**3,941**	**35**	**77,897**
Allocation of net income for the previous year	-	-	6,826	(6,826)	0	35	(35)	0
Comprehensive income (loss) for the year	-	-	-	6,095	6,095	-	242	6,336
Other movements	-	-	1,034	-	1,033	(2,500)	-	(1,466)
Balance at December 31, 2013	**10,710**	**66,005**	**(1,760)**	**6,095**	**81,050**	**1,476**	**242**	**82,768**

1. Basis of presentation

The consolidated financial statements of Intercos S.p.A. (the "Company") and its subsidiaries (together with the Company, the "Group") as of and for the years period ended December 31, 2013, 2012 and 2011 comprised of the consolidated statement of financial position, consolidated income statements and other comprehensive income, consolidated cash flow statements, consolidated statements of changes in equity and explanatory notes, have been prepared in accordance with the *International Financial Reporting Standards* ("IFRS") issued by the *International Accounting Standards Board* and endorsed by the European Union.

The figures relative to the years ended on December 31, 2012 and 2011 have been restated in order to provide a presentation consistent with the figures relative to the year ended on December 31, 2013. For information regarding the effects of this restatement, comprising the reconciliation with the original financial statement figures, reference should be made to Note 3.

The consolidated financial statements for the year ended December 31, 2013 were audited by Reconta Ernst & Young S.p.A..

The original consolidated financial statements of the Issuer for the years ended on December 31, 2012 and 2011 have been subjected to independent audit by PricewaterhouseCoopers S.p.A.. The adjustments made for the purposes of the restatement of the original consolidated figures for the years ended on December 31, 2012 and 2011 have been subjected to independent audit by Reconta Ernst & Young S.p.A., whose conclusions are stated within the relative auditors report for the year ended December 31, 2013.

This Prospectus does not include the Issuer's separate statutory financial statements relative to each of the abovementioned dates, as, the Company believes that these do not provide any significant additional information with respect to that shown in the consolidated financial statements.

The consolidated statement of financial position classifies assets and liabilities on the basis of their liquidity, where:

- non-current assets comprise those assets realizable after twelve months from the reporting date and include property, plant and equipment, intangible assets, goodwill, deferred tax assets and other non-current financial assets;
- current assets comprise those assets realizable within twelve months of the reporting date;
- non-current liabilities comprise the payables due after twelve months, including financial liabilities, provisions for risks and charges, deferred tax liabilities and provisions for employee benefits;
- current liabilities comprise the payables due within twelve months of the reporting date, including the current portion of medium and long term loans.

The consolidated comprehensive income statements for the years ended December 31, 2013, 2012 and 2011 contained in this Prospectus classify costs by nature.

The consolidated cash flow statement has been prepared using the indirect method and is presented in conformity with IAS 7, distinguishing between cash flows from operating, investing and financing activities.

2. Accounting principles and preparation criteria adopted in the preparation of the consolidated financial statements as of December 31, 2013, 2012 and 2011

The consolidated financial statements of the Intercos Group for the years ended on December 31, 2013, 2012 and 2011 were approved respectively by the Board of Directors on March 31, 2014, May 29, 2013 and May 22, 2012.

The consolidated financial statements for the year ended on December 31, 2013 show comparative figures relative to the year ended December 31, 2012 and the statement of financial position as at January 1, 2012 restated for the application of (i) IAS 8 for the correction of an error in the early application of the revised IAS 19 and (ii) IFRS 5 following the sale in 2013 of the assets and liabilities held in Intercos Asia Pacific.

The methods of restatement used in the presentation of the financial statements for the current year conformed to the requirements of the IFRS standards which require the disclosure of the comparative consolidated figures for the previous year, in this case those relative to the year 2012.

In preparing this Prospectus, which includes the presentation of the annual financial statements of the last three financial years, in order to provide a consistent presentation of these financial statements over the three-year period, the Company, has integrated the restatement previously applied to the consolidated figures for the year 2012, with the restatement also of the consolidated figures for the year 2011, which had already been the object of previous restatement for (i) the application of the IAS 19 revised and, (ii) for the application of IFRS 5 following the sale of the assets and the liabilities held in the retail sales business segment, operated by the subsidiary Marketing Projects S.r.l..

The consolidated restated figures for the year ended December 31, 2011 have been approved by the Board of Directors on July 17, 2014 and are shown as comparative figures to the consolidated figures for the years ended December 31, 2013 and 2012, and, again for the purposes of consistency and comparability with each other, certain financial statement items have been reclassified, as specified below.

With regard to the causes of the abovementioned error, it should be noted that the control system in existence during the years 2011 and 2012 was characterized by a consolidation process which was not fully automated and by an only partial operation of the controls over the homogeneous introduction, for all of the consolidated companies, of the newly applied accounting principles used by the Intercos Group.

The problems mentioned above have now been resolved, given the full implementation of the Hyperian financial management consolidation system as from 2013, and the full utilization thereof for the purposes of preparation of the Group's consolidated financial statements as from the interim financial statements at June 30, 2014, as well as the use of the SAP accounting system by the Issuer and by the principal subsidiaries. Furthermore, the Issuer has also prepared a Group Accounting Manual, to ensure the uniform application of the Group principles by its subsidiaries and it is introducing appropriate processes for the internal certification and supervision on these issues at Issuer level.

In light of the above the Issuer believes that the procedural safeguards mentioned above are suitable to prevent or mitigate further errors in the preparation of consolidated financial

statements of the Group.

The Issuer is a joint stock company incorporated under Italian law with registered offices in Milan, piazza Eleonora Duse, 2.

In the opinion of the Board of Directors of the Issuer, at the date of the Offering Memorandum, the Issuer is not subject to management and coordination activities.

3. Restatement of the consolidated financial statements of the Issuer for the years ended on December 31, 2012 and 2011

The restated consolidated financial statements for the year ended on December 31, 2012 reflect the effects deriving from (i) the correction of the error in the early application of the revised IAS 19 standard, which was not applied to the Swiss subsidiary CRB S.A. in the year 2012, and (ii) the application of the IFRS 5 following the sale in 2013 of the assets and liabilities held in Intercos Asia Pacific. These comparative figures were further restated in order to include reclassifications to certain financial statement items in order to give a consistent and comparable representation of the figures for the three-year period in question, included in this Prospectus.

The restated consolidated financial statements for the year ended on December 31, 2011 reflect the effects deriving from (i) the application of IFRS 5 following the sale in 2012 of the assets and liabilities held in the retail sales business segment, managed by the subsidiary Marketing Projects S.r.l., ii) the application of IFRS 5 following the sale in 2013 of the assets and liabilities held in Intercos Asia Pacific, (iii) the application of IAS 19 revised and (iv) the correction of the error in the application of IAS 19 revised. These comparative figures were further restated in order to include reclassifications to certain financial statement items in order to give a consistent and comparable representation of the figures for the three year period, included in this Prospectus.

The effects of the abovementioned adjustments and reclassifications made to the consolidated figures relative to the years ended on December 31, 2012 and 2011 are shown in the tables below:

Consolidated Statements of Financial Position as at December 31, 2012 and 2011

	As of December 31,						
	2012 original	**IAS 19**	**Reclassification**	**2012 restated**	**2011 original**	**IAS 19**	**2011 restated**
	(in thousands of Euro)						
NON- CURRENT ASSETS							
Property, plant and equipment	95,782	-	-	95,782	100,921	-	100,921
Intangible assets	16,585	-	-	16,585	15,706	-	15,706
Goodwill	74,434	-	-	74,434	74,969	-	74,969
Deferred tax assets	25,412	235	-	25,647	23,961	191	24,152
Other non-current receivables	7,268	-	-	7,268	4,173	-	4,173
TOTAL NON-CURRENT ASSETS	**219,481**	**235**	**-**	**219,718**	**219,730**	**191**	**219,921**
CURRENT ASSETS							
Inventories	68,051	-	-	68,051	63,997	-	63,997
Trade receivables	65,810	-	-	65,810	66,067	-	66,067
Other current receivables	11,645	-	-	11,645	14,240	-	14,240
Cash and cash equivalents	34,989	-	-	34,989	22,877	-	22,877
TOTAL CURRENT ASSETS	**180,496**	**-**	**-**	**180,496**	**167,181**	**-**	**167,181**
TOTAL ASSETS	**399,977**	**235**	**-**	**400,214**	**386,911**	**191**	**387,102**
SHAREHOLDERS' EQUITY							
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT							
Share capital	10,710	-	-	10,710	10,710	-	10,710
Reserves	66,027	-	-	66,027	66,063	-	66,063
Retained earnings/(losses brought forward)	(1,981)	(835)	-	(2,816)	(8,807)	(678)	(9,485)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**74,756**	**(835)**	**-**	**73,921**	**67,966**	**(678)**	**67,288**
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS							
Share capital and reserves attributable to non-controlling interests	3,941	-	-	3,941	3,480	-	3,480
Net profit/(loss) attributable to non-controlling interests	35	-	-	35	196	-	196
TOTAL EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**3,976**	**-**	**-**	**3,976**	**3,676**	**-**	**3,676**
TOTAL SHAREHOLDERS' EQUITY	**78,732**	**(835)**	**-**	**77,897**	**71,642**	**(678)**	**70,964**
NON-CURRENT LIABILITIES							
Non-current borrowings from banks and other lenders	179,681	-	(2,174)	177,507	182,241	-	182,241
Other financial payables	-	-	-	-	2,520	-	2,520
Provisions for risks and charges	1,959	-	-	1,959	400	-	400
Deferred tax liabilities	14,756	-	-	14,756	14,601	-	14,601
Provisions for employee benefits	7,366	1,070	-	8,436	6,577	870	7,447
TOTAL NON-CURRENT LIABILITIES	**203,762**	**1,070**	**(2,174)**	**202,658**	**206,339**	**870**	**207,209**

CURRENT LIABILITIES							
Current borrowings from banks and other lenders	49,079	-	2,247	51,326	49,460	-	49,460
Other financial payables	2,094	-	-	2,094	1,589	-	1,589
Trade payables	45,939	-	-	45,939	43,114	-	43,114
Other payables	20,371	-	(73)	20,298	14,767	-	14,767
TOTAL CURRENT LIABILITIES	**117,483**	**-**	**2,174**	**119,657**	**108,930**	**-**	**108,930**
TOTAL LIABILITIES	**321,245**	**1,070**	**-**	**322,315**	**315,269**	**870**	**316,139**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**399,977**	**235**	**-**	**400,214**	**386,911**	**193**	**387,102**

As previously mentioned, in preparing the consolidated financial statements as of December 31, 2012, the Group early adopted the *revised* IAS 19 *"Employee benefits"*, revised by the IASB on 16 June 2011 and endorsed by the European Commission on 5 June 2012 with Regulation No. 475/2012.

During the year 2013 the Company discovered that the revised IAS 19 had not been adopted by the foreign subsidiary CRB S.A.

The correction of this error was made retrospectively with the restatement of the statements of financial position as at December 31, 2012 and December 31, 2011.

Adjustments at December 31, 2012:

- Increase in liabilities for employee benefits: Euro 1,070 thousand
- Increase in deferred tax assets: Euro 235 thousand
- Decrease in retained earnings: Euro 835 thousand

Adjustments at December 31, 2011:

- Increase in liabilities for employee benefits: Euro 870 thousand
- Increase in deferred tax assets: Euro 191 thousand
- Decrease in retained earnings: Euro 678 thousand

Reclassification at December 31, 2012:

- Reclassification from the heading Non-current borrowings from banks and other lenders to the heading Current borrowings from banks and other lenders for Euro 2,174 thousand relative to financial payable recorded following the sum received during the year 2012 linked to a legal dispute with the supplier Tata. This sum was received following the favourable court sentence in first degree and the Issuer has recorded the entire amount received under financial payables given that the definitive outcome of the dispute remained uncertain;

- Reclassification from Other current payables to Current borrowings from banks and other lenders for Euro 73 thousand relative to sums received from customers relative to receivables sold without recourse to factoring companies but not yet paid over to the factor.

Consolidated Statement of Comprehensive Income for the years ended on December 31, 2012 and 2011

	As of December 31,				
	2012 original	**IAS 19**	**IFRS 5**	**Reclassification**	**2012 restated**
	(in thousands of Euro)				
Revenues from sales of goods and services	305,070		(8,971)		296,099
Other income and revenues	4,478		(49)		4,429
Purchases of raw materials, semi-finished products and consumables	(115,802)		6,565	3,401	(105,836)
Variation in inventories of raw materials, semi-finished products and finished products	5,982		(777)		5,205
Costs of services	(60,862)		1,248	(3,401)	(63,015)
Payroll costs	(88,472)		1,666		(86,806)
Accruals to provisions for risks	(236)		0		(236)
Other operating costs	(2,990)		1		(2,989)
Operating result before depreciation, amortization and non-recurring operating revenue/expenses	**47,168**		**(318)**		**46,851**
Depreciation and amortization	(21,689)		113		(21,576)
Non-recurring revenues/expenses	(1,524)				(1,524)
Operating Profit/(Loss)	**23,955**		**(205)**		**23,751**
Financial income	196				196
Financial expenses	(10,443)		154		(10,289)
Income tax	(3,952)		24		(3,928)
Profit (Loss) from continuing operations	**9,756**				**9,730**
Profit (Loss) from discontinued operations	(1,740)		(27)		(1,714)
Profit (Loss) for the year	**8,016**				**8,016**
Other components of comprehensive income that may be subsequently reclassified to profit/(loss):	(441)				(441)
Other components of comprehensive income that may not be subsequently reclassified to profit/(loss) :	(557)	(157)			(714)
Total comprehensive income/(loss) for the year	**7,018**	**(157)**			**6,861**
of which attributable to owners of parent	6,983	(157)			6,826
of which attributable to non-controlling interests	35				35

	As of December 31,							
	2011 original	IAS 19	IFRS 5	2011 restated in 2012	Reclassification	IAS 19	IFRS 5	2011 restated
	(in thousands of Euro)							
Revenues from sales of goods and services	271,603		(2,427)	269,176			(9,337)	259,839
Other income and revenues	5,105		(507)	4,598			(20)	4,578
Purchases of raw materials, semi-finished products and consumables	(105,403)		833	(104,570)	3,617		5,212	(95,741)
Variation in inventories of raw materials, semi-finished products and finished products	9,321		533	9,854			718	10,572
Cost of services	(52,025)		842	(51,183)	(3,617)		1,170	(53,630)
Payroll costs	(80,588)		497	(80,091)			1,491	(78,600)
Accruals to provisions for risks	(300)		0	(300)			0	(300)
Other operating costs	(9,254)		114	(9,140)			36	(9,104)
Operating result before depreciation, amortization and non-recurring operating revenue/expenses	**38,459**		**(115)**	**38,344**			**(730)**	**37,614**
Depreciation and amortization	(20,058)		20	(20,038)			98	(19,940)
Non-recurring revenues/expenses	(15,441)		1	(15,440)				(15,440)
Operating Profit/(Loss)	**2,960**		**(94)**	**2,866**			**(632)**	**2,234**
Financial income	625		0	625				625
Financial expenses	(14,138)	173	31	(13,934)			187	(13,747)
Income tax	600		13	613			150	763
Profit (Loss) from continuing operations	**(9,953)**	**173**		**(9,830)**	**0**	**0**		**(10,125)**
Profit (Loss) from discontinued operations			(50)	50			(295)	345
Profit (Loss) for the year	**(9,953)**	**173**		**(9,780)**	**0**	**0**		**(9,780)**
Other components of comprehensive income that may be subsequently reclassified to profit/(loss):	2,732			2,732				2,732
Other components of comprehensive income that may not be subsequently reclassified to profit/(loss) :	0	(173)		(173)		(421)		(594)
Total comprehensive income/(loss) for the year	**(7,221)**			**(7,221)**		**(421)**		**(7,642)**
of which attributable to owners of parent	(7,417)			(7,417)		(421)		(7,838)
of which attributable to non-controlling interests	196			196				196

The consolidated statements of comprehensive income for the years ended December 31, 2012 and 2011 show the adjustment relative to the early adoption of the revised version of IAS 19 *"Employee benefits"*, applied by the Group companies with the exception of the subsidiary CRB S.A..

The effects deriving from the retrospective correction of the error amount to Euro 157 thousand for the year ended December 31, 2012 and Euro 421 thousand for the year ended December 31, 2011.

The adjustments and the reclassifications made to the consolidated statements of comprehensive income for the years ended December 31, 2012 and 2011 are described below:

- Restatement of the figures relative to the years 2011 and 2012 for the application of IAS 19 *revised*;
- Restatement of the figures relative to the years 2011 and 2012 for the application of IFRS 5 following the sale, in 2013, of the subsidiary Intercos Asia Pacific. Further detail is provided in the Note 5, at paragraph "Business combinations, acquisitions of non-controlling interests, operations "under common control" and "discontinued operations";
- Restatement of the figures relative to the year 2011 for the application of IFRS 5 following the sale, in 2012, of the business segment relative to the retail sale business carried out by the subsidiary Marketing Projects S.r.l.. Further detail is provided in the Note 5, at paragraph "Business combinations, acquisitions of non-controlling interests, operations "under common control" and "discontinued operations";
- Reclassification from the heading "Financial expenses" to the heading "Other components of comprehensive income that may not be subsequently reclassified to profit or loss" of the actuarial gains and losses deriving from the application of IAS 19 for Euro 173 thousand;
- Reclassification from the heading "Purchases of raw materials, semi-finished products and consumables" to the heading "Cost of services", for the year 2012 for Euro 3,401 thousand in order to better represent the nature of certain transport costs;
- Reclassification from the heading "Purchases of raw materials, semi-finished products and consumables" to the heading "Cost of services" for the year 2011, Euro 3,617 thousand, in order to better represent the nature of certain transport costs.

Reconciliation of the consolidated statements of cash flows for the years ended December 31, 2012 and 2011

	Year ended December 31,					
	2012	**IFRS 5**	**2012 Restated**	**2011**	**Reclassif ication**	**2011 Restated**
	(in thousands of Euro)					
CASH FLOW PROVIDED BY /(USED IN) OPERATING ACTIVITIES						
Profit/(loss) for the period attributable to the owners of the Parent	**8,016**		**8,016**	**(9,952)**	**(173)**	**(9,780)**
Depreciation and amortization	21,174	3	21,171	20,058		20,058
Non-recurring revenues/charges	1,524		1,524	15,441		15,441
Change in provisions	981	(76)	1,056	1,439		1,439
Financial (income) and expenses	10,247		10,246		(13,309)	13,309
Decrease / (Increase) in inventories	(4,054)	1,053	(5,108)	(10,334)		(10,334)
Decrease / (Increase) in net trade receivables	257	1,519	(1,262)	(5,017)		(5,017)
Increase / (Decrease) in trade payables	2,826	(1,826)	4,652	6,494		6,494

Decrease / (Increase) in other assets		(1,950)	(1,054)	(896)	(10,159)		(10,159)
Increase / (Decrease) in other liabilities		5,603	(89)	5,692	1,370		1,370
Net cash flow provided by /(used in) operating activities	**(A)**	**44,624**	**(470)**	**45,091**	**9,340**	**(13,482)**	**22,821**
CASH FLOW PROVIDED BY /(USED IN) INVESTING ACTIVITIES							
Net acquisitions of property, plant and equipment		(10,093)	46	(10,139)	(13,680)		(13,680)
Net acquisitions of intangible assets		(6,214)	27	(6,241)	(5,511)		(5,511)
Net cash flows from sale of subsidiaries		-	(1,739)	1,739	-		
Net cash flow provided by /(used in) investing activities	**(B)**	**(16,307)**	**(1,666)**	**(14,641)**	**(19,191)**	**0**	**(19,191)**
CASH FLOW PROVIDED BY /(USED IN) FINANCING ACTIVITIES							
Share capital increase		-	-	-	25,000	-	25,000
Increase/(decrease) in borrowings from banks and other lenders		(8,065)	(65)	(8,000)	(15,348)	5,037	(20,384)
Interest paid during the year		(7,139)	-	(7,139)	-	8,272	(8,272)
Net cash flow provided by /(used in) financing activities	**(C)**	**(15,204)**	**(65)**	**(15,139)**	**9,652**	**13,309**	**(3,656)**
Changes in net equity	**(D)**	**(998)**		**(998)**	**2,731**	**173**	**2,558**
CASH FLOW FOR THE PERIOD	**(A+B+C+D)**	**12,112**		**14,313**	**2,533**		**2,532**
Cash flow for the period (discontinued operations)	**(E)**	**-**	**2,201**	**(2,201)**	**-**		**-**
TOTAL CASH FLOW FOR THE PERIOD	**(A+B+C+D+E)**	**12,112**		**12,112**	**2,533**		**2,533**
Cash and cash equivalents at the beginning of the year		22,877		22,877	20,344		20,344
Cash and cash equivalents at the end of the year		34,989		34,989	22,877		22,877
CHANGE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD		**12,112**		**12,112**	**2,533**		**2,533**

4. Consolidation

The consolidated financial statements include the financial statements of the Parent and of the Italian and foreign companies over which the Parent exercises control, directly or indirectly, as defined in IAS 27-Consolidated financial statements.

These financial statements, prepared for the purpose of consolidation with the same closing date as that of the Parent, have been prepared in accordance with the international accounting standards adopted by the Group.

Investments in subsidiaries

The consolidated financial statements of the Intercos Group include the financial statements of Intercos S.p.A. (the parent) and the companies in which Intercos S.p.A. exercises control, directly or indirectly, starting from the date that control commences until the date that control ceases. Control is exercised either by possessing the majority of the shares with voting rights, directly or indirectly, or by exercising a dominant influence through the power to govern, also indirectly, as provided by contractual or legal agreements, the financial and operating policies of the enterprises so as to obtain the relative benefits, regardless of relationships involving shares. The existence of potential voting rights exercisable at the balance sheet date is considered for purposes of the determination of control.

The financial statements included in consolidation have been prepared as of December 31, the reporting date of the consolidated financial statements and are generally those specifically prepared and approved by the boards of directors of the individual companies and adjusted, where necessary, to conform to the accounting policies of the Parent.

All subsidiaries are consolidated using the line-by-line consolidation method.

This method provides that the assets and liabilities, income and expenses of subsidiaries consolidated line-by-line are assumed in full in the consolidated financial statements; the carrying amount of the investments is eliminated against the share of equity of the investee companies, attributing to the identifiable assets and liabilities the fair value at the acquisition date of control.
Any remaining difference, if positive, is recorded as goodwill; if negative it is recorded in the income statement.
The portion of equity and of the result for the year attributable to non-controlling interests are recorded separately in consolidated equity and in the consolidated income statement; the equity attributable to non-controlling interests is determined on the basis of the fair values attributable to the identifiable assets and liabilities at the acquisition date of control, excluding the non-controlling interest’s portion of goodwill, if any. Changes in the interests held in subsidiaries which do not result in acquisition/loss of control are recognized as changes in equity.

Investments in associates

Investments in associates, in which the Group companies have a significant influence (generally those in which the percentage owned is between 20% and 50%), are accounted for using the equity method of accounting, starting from the date the significant influence or joint control commences until the date it ceases.
When the Group’s share of losses in an associate exceeds the carrying amount in the financial statements, the carrying amount of the investment is reduced to zero and any excess loss is not recognized, except to the extent that the Group has incurred obligations to cover the losses.

Annually, the Group assesses whether there is any indication of impairment, comparing the value of the investment recorded using the equity method and its recoverable amount; eventual

impairment is allocated to the individual investment with the writedown being charged to the income statement.

During the years ended on December 31, 2013, 2012 and 2011 the Intercos Group did not hold any investments in associates (companies in which the Group holds at least 20% of voting rights or in which it exercises significant influence, but not control or joint control, over the financial and operative policy) or in joint ventures (defined as a contractual agreement whereby two or more parties undertake an economic activity subject to joint control).

The tables below give summarized details of the company name, registered offices, share capital and percentage thereof owned directly and indirectly by the by the Intercos Group as at December 31, 2013, 2012 and 2011, relative to subsidiary companies.

At December 31, 2013

Company name	Registered offices	Currency	Share Capital in thousands of units of currency	Percentage owned	
				Direct	Indirect
Intercos Europe S.p.A.	Milan	Euro	3,000	100.00%	
Kit Productions S.r.l.	Pessano con Bornago (Milan)	Euro	10	70.00%	
Marketing Projects S.r.l. in liquidation	Milan	Euro	40	100.00%	
Ager S.r.l.	Monza	Euro	31	76.00%	
Drop Nail S.r.l.	Milan	Euro	50	60.00%	
Intercos America Inc.	Wilmington (USA)	US Dollar	10	100.00%	
Intercos do Brasil	Atibaia (Brazil)	Brazilian Real	22,377	99.57%	0.43%
Intercos Paris Sarl	Neuilly-sur-Seine (France)	Euro	14	100.00%	
Intercos UK Ltd	Barnstaple (UK)	Pound Sterling	1	65.00%	
Intercos Marketing Ltd	South Molton (UK)	Pound Sterling	1		100.00%
CRB S.A.	Puidoux (Switzerland)	Swiss Franc	100	100.00%	
Vitalab S.r.l.	Milan	Euro	100		60.00%
CRB Benelux BV	Maastricht (Netherlands)	Euro	18		100.00%
Intercos Technology Co.Ltd.	Suzhou (China)	US Dollar	3,400	100.00%	
Interfila Shanghai	Shanghai (China)	US Dollar	2,700	100.00%	
Intercos Cosmetics Suzhou Co. Ltd.	Suzhou (China)	US Dollar	12,800	100.00%	

The principal changes which took place in the consolidation area during the year ended December 31, 2013 are detailed below:

- On April 15, 2013 the Issuer acquired for Euro 85 thousand from one of the two minority shareholders, Maria Luisa Villa, a further shareholding in the company Ager s.r.l., equivalent to 24% of the share capital thereof. As a result of this acquisition the total investment held by Intercos S.p.A. in Ager S.r.l. amounts to 76% of total share capital;

- In July 2013 an investment of 60% of the share capital of Drop Nail S.r.l. was acquired from third parties at a cost of Euro 337 thousand; this company is engaged in the research, development, manufacture and marketing of nail varnish. This operation enabled the Group to complete its commercial market range, with the introduction of a line of nail varnish cosmetics;
- On September 18, 2013, as part of the corporate reorganization operations, the Issuer acquired, from the minority shareholder of Intercos Asia Pacific, Peter Kwong, a further shareholding in the company Intercos Cosmetics Suzhou, at a cost of USD 250 thousand, corresponding to Euro 187 thousand. As a result of this operation, the direct investment in Intercos Cosmetics Suzhou has risen from 98.33% to 100%.
- Also on September 18, 2013, the sale to third parties of the equity investment held in Intercos Asia Pacific, equivalent to 58% of the share capital thereof, was concluded for USD 3,021 thousand, corresponding to Euro 2,263 thousand. This operation generated a capital loss of Euro 346 thousand.
- On October 3, 2013 the Issuer underwrote the share capital increase of the subsidiary Intercos do Brasil for a total of USD 6,500 thousand, corresponding to Euro 4,766 thousand, bringing Intercos S.p.A.'s direct holding in this company to 99.57% of the total share capital.
- On October 31, 2013 the liquidation of the company Intercos Regulatory Services S.r.l. was completed, following the approval on December 16, 2012 of the early winding-up of this company and the consequent placing into liquidation with effect as from December 28, 2012. The elimination of this investment, recorded in the financial statements for Euro 90 thousand at December 31, 2012, gave rise to a loss on disposal of Euro 68 thousand.

At December 31, 2012

				Percentage owned	
Company name	**Registered offices**	**Currency**	**Share Capital in thousands of units of currency**	**Direct**	**Indirect**
Intercos Europe S.p.A.	Milan	Euro	3,000	100.00%	
Kit Productions S.r.l.	Pessano con Bornago (Milan)	Euro	10	70.00%	
Marketing Projects S.r.l. in liquidation	Milan	Euro	40	100.00%	
Ager S.r.l.	Monza	Euro	31	52.00%	
Intercos Regulatory Services S.r.l. in liquidation	Milan	Euro	97	100.00%	
Intercos America Inc.	Wilmington (USA)	US Dollar	10	100.00%	
Intercos do Brasil	Atibaia (Brazil)	Brazilian Real	8,000	98.79%	1.21%
Intercos Paris Sarl	Paris (France)	Euro	14	100.00%	
Intercos UK Ltd	Barnstaple (UK)	Pound Sterling	1	65.00%	
Intercos Marketing Ltd	South Molton (UK)	Pound Sterling	1		100.00%
CRB S.A.	Puidoux (Switzerland)	Swiss Franc	100	100.00%	

Vitalab S.r.l.	Milan	Euro	100		60.00%
CRB Benelux BV	Maastricht (Netherlands)	Euro	18		100.00%
Intercos Technology Co.Ltd.	Suzhou (China)	US Dollar	3,400	100.00%	
Interfila Shanghai	Shanghai (China)	US Dollar	2,700	100.00%	
Intercos Cosmetics Suzhou Co.Ltd.	Suzhou (China)	US Dollar	12,800	98.00%	2.00%
Intercos Asia Pacific Sdn Bhd	Selangor Darul Ehsan (Malaysia)	Malaysian Ringitt	3,700	58.00%	

The principal changes which took place in the consolidation area during the year ended December 31, 2012 are detailed below:

- During the first months of 2012 the retail product sales operation headed by the subsidiary Marketing Projects S.r.l. was sold to third parties, resulting in the Group's exit from the retail sector, no longer considered to be of strategic importance. Consequently the company Marketing Projects S.r.l. was place into liquidation on June 14, 2012.
- On May 22, 2012 the share capital increase of the subsidiary Intercos do Brasil was resolved and underwritten in order to expand Intercos' operations on the Brazilian market, enabling the company to purchase machinery and any other assets to allow the company to commence production.
- On December 16, 2012 a resolution was made for the early winding-up of the subsidiary Intercos Regulatory Services S.r.l., subsequently placed into liquidation with effect as from December 28, 2012.
- On December 17, 2012 the Issuer acquired from Ferrari Dario Gianandrea an equity investment for a nominal value of Euro 624 in the company Ager S.r.l.. As a result of this operation Intercos S.p.A.'s investment in the company rose from 50% to 52%.

			Share Capital in thousands of units of currency	**Percentage owned**	
Company name	**Registered offices**	**Currency**		**Direct**	**Indirect**
Intercos Europe S.p.A.	Milan	Euro	3,000	100.00%	
Kit Productions S.r.l.	Pessano con Bornago (Milan)	Euro	10	70.00%	
Marketing Projects S.r.l. in liquidation	Milan	Euro	40	100.00%	
Ager S.r.l.	Monza	Euro	31	50.00%	
Intercos Regulatory Services S.r.l. in liquidation	Milan	Euro	97	100.00%	
Intercos America Inc.	Wilmington (USA)	US Dollar	10	100.00%	
Intercos do Brasil	Atibaia (Brazil)	Brazilian Real	150	40.00%	60.00%
Intercos Paris Sarl	Paris (France)	Euro	14	100.00%	

Intercos UK Ltd	Barnstaple (UK)	Pound Sterling	1	65.00%	
Intercos Marketing Ltd	South Molton (UK)	Pound Sterling	1		100.00%
CRB S.A.	Puidoux (Switzerland)	Swiss Franc	100	100.00%	
Vitalab S.r.l.	Milan	Euro	100		60.00%
CRB Benelux BV	Maastricht (Netherlands)	Euro	18		100.00%
Intercos Technology Co.Ltd.	Suzhou (China)	US Dollar	3,400	100.00%	
Interfila Shanghai	Shanghai (China)	US Dollar	2,700		100.00%
Intercos Cosmetics Suzhou Co.Ltd.	Suzhou (China)	US Dollar	12,800	98.00%	2.00%
Intercos Asia Pacific Sdn Bhd	Selangor Darul Ehsan (Malaysia)	Malaysian Ringitt	3,700	58.00%	

At December 31, 2011

The principal changes which took place in the consolidation area during the year ended December 31, 2011 are detailed below:

- On October 1, 2011 the following operations were carried out as part of the Group's corporate reorganization project:
  - Interfila S.r.l., a Group manufacturing company with operative headquarters at Limbiate (Milan), was incorporated by merger into the company Color Cosmetics S.r.l. (now called Intercos Europe S.p.A.);
  - Intercos S.p.A. conferred upon the subsidiary Color Cosmetics S.r.l. the business segment relative to the manufacture and sale of cosmetics;
  - Color Cosmetics S.r.l. was transformed into a joint stock company (società per azioni) taking on the company name of "Intercos Europe S.p.A.".
- On June 29, 2011 the company Intercos do Brasil Industrìa e Comercio de Productos Cosméticos Ltda. was constituted with a share capital of 150,000 Brazilian Real. This company, which is 40% owned by Intercos S.p.A. and 60% owned by Intercos America Inc., was set up in order to carry out manufacturing and commercial activities, thus enabling the Intercos Group to expand its operating activities on the South American market, and the Brazilian market in particular.

Translation of foreign currency financial statements

The following rules are applied for the conversion into Euros of the financial statements of subsidiaries expressed in foreign currencies:

- assets and liabilities are converted using the exchange rates in force at the balance sheet date;
- costs and revenues are converted using the average exchange rates for the year;
- the "reserve for exchange differences on translating foreign operations" includes both exchange differences generated by the translation of the income statement at a rate

different from the year-end rate and those generated by the translation of opening equity at a rate different from the year-end rate;

- goodwill and fair value adjustments arising from the purchase of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the year-end exchange rate.

The exchange rates used for the determination of the counter-value in Euros of the foreign currency financial statements of subsidiary companies are shown below (unit of currency per 1 Euro):

	Average exchange rate for the year ended December 31,			**Closing exchange rate at December 31,**		
	2013	**2012**	**2011**	**2013**	**2012**	**2011**
US Dollar	1.328	1.286	1.392	1.379	1.319	1.294
Pound Sterling	0.849	0.811	0.868	0.834	0.816	0.835
Swiss Franc	1.231	1.205	1.234	1.228	1.207	1.216
Reminbi (ChineseYuan)	8.165	8.109	8.996	8.349	8.221	8.159
Malaysian Ringitt *	4.125	3.969	4.255	4.410	4.035	4.106
Brazilian Real	2.867	2.510	2.424	3.258	2.704	2.416

* The 2013 exchange rates for the Malaysian Ringitt are stated respectively at 30 September 2013 and at the average for the period from January 1, 2013 to 30 September 2013.

5. Accounting principles

Foreword

The consolidated financial statements as at December 31, 2013, 2012 and 2011 of the Intercos Group were prepared in conformity with the IFRS in force at the respective annual reporting dates.

No exceptions to the application of the IFRS were applied in the preparation of the consolidated financial statements.

The consolidated financial statements are stated in thousands of Euro.

Estimates and assumptions

The preparation of the consolidated financial statements requires management to apply accounting principles and methods which at times are based upon complex subjective judgments and estimates based on past experience as well as reasonable and realistic assumptions based on the relevant circumstances. The use of these estimates and assumptions can influence the amounts reported in the financial statements, such as the statement of financial position, the statement of comprehensive income and the statement of cash flows, as well as the information disclosed thereon. The actual results of the balances for which the above-mentioned estimates and assumptions were adopted may differ from those reported on the financial statements, due to the uncertainty which characterizes those assumptions and the conditions on which the estimates are based. The accounting principles which particularly require critical judgments by

management in making estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the financial statements of the Group companies are briefly described below.

Goodwill

In accordance with the accounting principles adopted for the preparation of the financial statements, goodwill is reviewed on at least an annual basis for any impairment that requires recognition in the income statement. The review specifically involves the allocation of goodwill to cash-generating units and the subsequent determination of the recoverable amount, determined as the higher of the fair value, less selling costs, and the value in use. When the value in use is lower than the carrying amount of the cash-generating unit, an impairment of goodwill should be recognized. The allocation of goodwill to the cash-generating unit and the determination of the value in use require the use of estimates that depend upon subjective judgments and factors which could change over time, with consequent, and in certain cases even significant, effects on the managements' estimates.

Impairment of fixed assets

Property, plant and equipment and intangible assets are tested for any reduction in value that requires recognition of an impairment loss, whenever there are indications that the carrying amount may not be recoverable through use. Verification of the existence of such indications requires management to exercise subjective judgment based on information available internally and from the market and from past experience. Moreover, whenever impairment may exist, the Group determines the impairment loss on the basis of appropriate measurement techniques. Proper identification of the indicators of possible impairment, as well as the estimates used to determine them, depend upon factors which may vary over time, influencing management's judgments and estimates.

Depreciation of Property, plant and equipment

Depreciation of property, plant and equipment constitutes a significant cost for the Group. The cost of buildings, plant and machinery is depreciated over the estimated useful lives of the assets on a straight-line basis. The economic useful life of these assets is determined by management when the assets are purchased; it is based on past experience for similar assets, market conditions and anticipation of future events which could have an impact on the useful life, including changes in technology. Therefore, the effective economic life could differ from the estimated useful life. The Group periodically reviews technological and sector changes, evaluates decommissioning costs and the recoverable amount in order to update the residual useful life. This periodical update could entail a change in the period of depreciation and therefore a change in the depreciation charge of future years.

Deferred taxation

Deferred tax assets are recognized on the basis of expectations of future earnings. The estimate of future earnings for purposes of the recognition of deferred taxes depends on factors which could vary over time and significantly affect the amount of deferred taxes.

Provisions for risks and charges

Accruals are made to provisions for probable liabilities relating to disputes with employees, suppliers, third parties and, in general, for the expenses which the Group might be obliged to incur for obligations undertaken in the past. These accruals also include an estimate of the liabilities which could arise from disputes concerning the terms of fixed-term labor contracts used in the past. The determination of such accruals requires the use of estimates based on the current knowledge of factors which could change over time and which generate outcomes that differ from those foreseen by management in preparing the financial statements.

Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and represents an important separate line of business or geographical area of operations, and is part of a single coordinated disposal plan.

In the consolidated statement of comprehensive income for the year, the post-tax profit or loss of discontinued operations and the gain or loss recognized on the measurement to fair value, net of the costs to sell or dispose of the assets or group of assets constituting the discontinued operation, is disclosed as a single amount at the foot of the income statement separately from the post-tax profit or loss from continuing operations.

All of the assets and liabilities held for sale are classified as held for sale when the necessary conditions are fulfilled, even when the Group continues to hold a minority interest in the subsidiary after the sale.

Assets held for sale are valued at the lower of net carrying value and fair value net of costs to sell.

The net cash flows attributable to the activities of discontinued operations are presented separately in the statement of cash flows.

The above information is also reported in the comparative figures for the previous year.

Accounting principles

Property, plant and equipment

Property, plant and equipment are stated at purchase or production cost less accumulated depreciation and eventual impairment losses. Purchase cost includes all directly attributable costs necessary to make the asset ready for use and any expenses for decommissioning and restoration that will be incurred as a result of contractual obligations that require the assets to be restored to their original condition. Any borrowing costs incurred for the acquisition, production or construction of property, plant and equipment are capitalized to the relative asset up to the time such asset is ready for use.
Ordinary and/or cyclical maintenance and repairs are charged directly to the income statement in the year in which they are incurred. Costs for the expansion, modernization or improvement of structural elements owned or leased are capitalized solely to the extent that they meet the requisites for being classified separately as assets or part of an asset under the component

approach. Likewise, the replacement costs of identifiable components of complex assets are capitalized to assets and depreciated over their estimated useful lives; the remaining carrying amount of the component being replaced is written off to the income statement.

Spare parts of significant value are capitalized and depreciated over the estimated useful life of the asset to which they refer.
The carrying amount of property, plant and equipment is subject to annual depreciation, calculated on a straight-line basis, over the estimated useful life of the asset, starting from the date in which the asset becomes available and ready for use. In particular, depreciation is recognized starting from the month in which the asset is available for use or is potentially able to provide the economic benefits associated with it and is charged on a monthly straight-line basis at rates designed to depreciate the assets up to the end of their useful life or, in the case of disposals, up to the last month of utilization.

The following annual depreciation rates are applied:

Buildings	4% – 5.5%
Plant	10% - 15%
Machinery	10% - 12%
Equipment	10% - 40%
Furnishings and fittings	12% - 20%
Motor vehicles	20% - 25%

The useful lives of property, plant and equipment and their residual value is reviewed and updated, if necessary, at the end of every year.
Where the depreciable asset is composed of distinctly identifiable elements whose useful life differs significantly from the other parts that compose the asset, depreciation is calculated separately for each of the parts that compose the asset in accordance with the so-called *component approach*.

Gains and losses on the sale or disposal of property, plant and equipment are calculated as the difference between the proceeds from the sale and the net carrying amounts of the assets sold or disposed of and are recognized in the income statement in the year in which the disposal takes place.

Leasehold improvements are classified in property, plant and equipment, consistently with the nature of the cost incurred. The depreciation period corresponds to the lesser of the remaining estimated useful life of the property, plant and equipment and the residual duration of the lease contract.

Land is not subject to depreciation.

Leased assets

Assets held under finance lease contracts in which substantially all of the risks and rewards of ownership are transferred to the Group are recognized as property, plant and equipment at fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability payable to the lesser is shown in the financial statements under the heading Financial payables. The assets are depreciated according to the policies and rates indicated for property, plant and equipment unless the term of the lease contract is shorter than the useful life represented by these rates and reasonable certainty of transferring ownership of the leased asset at the natural expiration of the contract is not assured. In that case, the depreciation period is represented by the term of the lease contract. The lease payment is subdivided into its finance expense component, recognized in the income statement, and the repayment of principal component, recorded as a reduction of the financial payables.

Leases in which the lessor retains substantially all of the risks and rewards associated with ownership of the assets are classified as operating leases. Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease contract.

Intangible assets

Intangible assets are comprised of identifiable non-monetary assets without physical substance able to produce future economic benefits. Such assets are recorded at purchase and/or production cost, inclusive of the direct accessory costs attributable to the preparation of the asset for its intended use, net of accumulated amortization, and eventual impairment losses. Any borrowing costs arising during and for the development of intangible assets are charged to the income statement. Amortization is charged on a straight-line basis over the remaining period of possible utilization, starting from the moment in which the asset becomes available for use.

Goodwill

Goodwill represents the excess of the acquisition cost of the assets and liabilities of acquired companies or business segments over their fair value at the date of purchase. Goodwill is not subject to amortization but instead is tested for impairment, at least annually or whenever there is an indication of impairment, to verify the adequacy of the relative carrying amount in the financial statements. In order to test for impairment, goodwill must be allocated to cash-generating units or groups of cash-generating units (hereinafter also "CGU"). An impairment loss on goodwill is recognized when the recoverable amount of goodwill is lower than the carrying amount in the financial statements.
The recoverable amount is the higher of the fair value of the CGU or groups of CGUs, less costs to sell, and the relative value in use (see the following paragraph on the "Impairment of property, plant and equipment and intangible assets" for additional information on the determination of the value in use). Losses in the value of goodwill cannot be reversed at a later date should the circumstances which caused the loss cease to exist.
When the impairment loss is higher than the carrying amount of goodwill allocated to the cash-generating unit, the remaining excess is allocated to the assets of the CGU in proportion to their carrying amount. The carrying amount of an asset should not be reduced below the higher of:

- the fair value of the asset, net of costs to sell;
- the value in use, as defined above.

Trademarks, licences and similar rights

Licenses are amortized on a straight-line basis so as to allocate the cost incurred for the purchase of the licence over the shorter of the expected utilization period and the duration of the relative contracts, starting from the moment in which the acquired right becomes exercisable. Software licenses are amortized on a straight-line basis over their estimated useful lives of 5 years.

Research and development costs

Costs associated with research and development are charged to the income statement in the period in which they are sustained, with the exception of development costs capitalized as intangible assets when they satisfy all of the following conditions:

a) the project can be clearly identified and the costs associated with it can be identified and measured reliably;

b) the technical feasibility of the project can be demonstrated;

c) the intention and capacity to complete the project and sell or otherwise utilize the intangible assets generated by the project can be demonstrated;

d) a potential market exists or, in the case of internal use, the utility of the intangible asset for the creation of future economic benefits can be demonstrated;

e) the technical and financial resources for the completion of the project are available.

The amortization of eventual development costs capitalized commences as from the date in which the outcome of the project is marketable. This amortization is calculated on a straight line basis over a period of five years, which represents the estimated useful economic life of the costs capitalized.

Loss in value (impairment) of property, plant and equipment and intangible assets

At each balance sheet date, property, plant and equipment with a finite life are reviewed to identify the existence of any indicators of an impairment in their value. When the presence of these indicators is identified, the recoverable amount of such assets is estimated and any impairment is charged to the income statement. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use, which is defined as the present value of the estimated future cash flows for such asset. The value in use is determined by discounting the estimated future cash flows from the use of the asset to present value at a pre-tax rate which reflects current market assessments of the time value of money, in relation to the period of the investment and the risks specific to the asset. For an asset that does not generate independent financial flows, the recoverable amount is determined by reference to the cash-generating unit to which such asset belongs.

An impairment loss is recognized in the income statement when the carrying value of the asset, or of the cash-generating unit to which it is allocated, is higher than the relative recoverable value. Where an impairment loss on assets subsequently no longer exists or has decreased, the carrying value of the asset, except for goodwill, is increased and the reversal is recognized in the income statement. The asset is increased to the net carrying amount that would have been recorded and reduced by the depreciation and amortization that would have been charged had no impairment loss been recognized.

Financial instruments

Financial assets

Financial assets mainly relate to accounts receivable from customers, with fixed or determinable payments. They are included in current assets, except for those receivables due more than 12 months after the balance sheet date, which are classified in non-current assets. Such assets are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

Where there is objective evidence of an indication of impairment, the asset is reduced so that it equals the present value of estimated future cash flows. The impairment loss is recognized in the income statement. Where an impairment loss on assets subsequently no longer exists or has decreased, the carrying amount of the asset is increased up to the carrying amount that would have been recorded under the amortized cost method had no impairment loss been recognized.

Financial assets are derecognized from the financial statements when the right to receive cash flows from the instrument is extinguished or when the Group has substantially transferred all the risks and rewards relating to the instrument and the relative control.

Financial liabilities

Purchases and sales of financial liabilities are recognized on the trade date, that is, the date on which the Group commits to purchase or sell the financial instrument.

Financial liabilities consist of borrowings, trade payables and other obligations payable. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. When there is a change in estimated cash flows and it is possible to estimate them reliably, the amount of the borrowings is recalculated to reflect this change on the basis of the present value of the new estimated cash flows and the internal yield rate determined initially. Financial liabilities are classified in current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the balance sheet date.

Financial liabilities are derecognized from the financial statements at the moment of extinction or when all of the risks and expenses relating to the liability have been transferred to third parties.

Derivative instruments

On the basis of the financial policies adopted, the Group uses derivative financial instruments to hedge interest and foreign exchange rate risk. In particular, derivative financial instruments are

used to hedge the exposure of fluctuations in future cash flows arising as a result of the fulfillment of future contractual obligations defined at the balance sheet date, mainly the payment of interest on variable-rate loans received (hereinafter also “cash flow hedge”) and the risk of exposure to changes in the exchange rates relating to receivables and payables in currencies other than the functional currency (hereinafter “fair value hedge”).

Derivative financial instruments are initially recorded at fair value at the date of stipulation of the contract. Changes in the fair value of the derivatives subsequent to first-time recognition are recognized in the income statement as a component of financial income/expenses. This recognition criteria is applied to all derivatives since the Group does not deem it opportune to implement the procedures necessary to determine the existence of the requisites to designate, strictly from an accounting standpoint, the outstanding derivatives as hedging instruments, whether these be fair value hedges or cash flow hedges, and therefore recognize the changes in fair value subsequent to the first-time recognition of the derivatives according to specific hedge accounting criteria.

Determination of the fair value of derivative financial instruments

Fair value is the price that would be received to sell an asset or be paid to transfer a liability in a normal market transaction (not in a forced liquidation or a sale below cost) at the measurement date (exit price).

The fair value of an asset or liability is determined adopting the measurement that the market participants would use when pricing the asset or liability. Fair value measurement assumes a transaction taking place in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability to which the company has access.

The fair value of financial instruments listed on an active market is based on market prices at the balance sheet date. The market prices used for derivatives are bid prices whereas ask prices are used for financial liabilities. The fair value of instruments which are not listed on an active market is calculated using valuation techniques based upon a series of methods and assumptions linked to market conditions at the balance sheet date.

The fair value of interest rate swaps is determined on the basis of the present value of estimated future cash flows.
The fair value of forward foreign exchange contracts is determined using the forward exchange rate at the balance sheet date.

In the determination of fair value, a hierarchy of criteria is defined based on the origin, type and quality of the information used in the calculation. This classification has the purpose of establishing a hierarchy in terms of the reliability of the fair value, giving preference to the use of observable market inputs which reflect the assumption that market participants would use in the measurement of assets and liabilities. The fair value hierarchy is categorized into the following levels: (i) level 1: inputs represented by quoted prices (without adjustments) in active markets for identical assets or liabilities that the entity can access at the measurement date; (ii) level 2: inputs are based on observable market data, other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; (iii) level 3: inputs are not based on observable market data for the asset or liability.

In the absence of available quoted prices, fair value is determined using valuation techniques, appropriate in the circumstances, maximizing the use of relevant observable inputs and minimizing the use of inputs that are not based on observable market data.

Inventories

Inventories are stated at the lower of purchase and/or production cost, determined using the average weighted cost method, and estimated net realizable value.

Inventories are adjusted, where necessary, to take account of obsolete or slow-moving stocks. When the circumstances which previously led to the adjustment no longer exist or when there is a clear indication of an increase in net realizable value, the adjustments are reversed in whole or in part so that the new carrying amount represents the lower of purchase or production cost and net realizable value at the reporting date.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on demand and short-term bank and postal deposits. Cash and cash equivalents are recorded in the financial statements at nominal value, which corresponds to fair value; foreign currency cash and cash equivalents are translated into Euros at the yearend exchange rate.

Provisions for risks and charges

Accruals to the provisions for risks and charges are recorded against existing commitments (legal or implicit) deriving from a past occurrence which shall probably give rise to future costs or losses, where the amount thereof can be reasonably estimated. Provisions reflect the best estimate of the costs or losses to be incurred based on the information currently available. Where the actuarial effects are significant and the timing of the future payments can be reliably estimated, the provisions are determined by discounting the expected future cash flows using a rate of discount which reflects the current market cost of money and, if appropriate, the specific risks inherent in the liability. Where discounting takes place, the increase in the provision due to the passing of time is charged to the income statement under the heading "Financial expenses".
The risks for which the occurrence of a future liability is only possible are disclosed in the commitments and risks section of the explanatory notes, but no provision for such risk is accrued in the financial statements.

Provisions for employee benefits

The Group companies operate various types of defined benefit pension plans, in accordance with the conditions and practices commonly applied in the countries in which these Group companies conduct their business.

Defined benefit pension plans, which also include the employee severance indemnities (TFR)

due to Italian employees as set forth in article 2120 of the Italian Civil Code, are based on the working life and the compensation received by the employee over a predetermined service period. In particular, the liability relating to employee severance indemnities is recognized in the financial statements based on actuarial calculations since it qualifies as an employee benefit due on the basis of a defined benefit plan. Recognition of a defined benefit plan in the financial statements requires actuarial techniques to estimate the amount of benefits accruing to employees in exchange for work performed during the current and prior years and the discounting of such benefits in order to determine the present value of the Group's commitments. The determination of the present value of such commitments is calculated using the Projected Unit Credit Method. This method, which is one of the actuarial techniques used for calculating accrued benefits, considers each active service period by the employee in the company as an additional unit which gives the right to benefits: the actuarial liability must therefore be quantified on the basis of only the service life accrued at the date of measurement; therefore, the total liability is normally recalculated on the basis of the ratio of the number of years of service accrued at the measurement date to the total estimated service life that will be reached at the time of settlement. Furthermore, this method calls for considering future increases in compensation, for whatever reasons (inflation, career, contract renewals, etc.) up until the time of termination of employment.

The cost matured during the year for defined benefit plans and recognized in the income statement under payroll costs is equal to the sum of the average present value of the defined benefits matured by active employees for the work performed during the year and the annual interest matured on the present value of the Group companies' commitments at the beginning of the year, calculated using the discount rate of future cash outflows adopted for the estimate of the liability at the end of the preceding year. Remeasurements of employee defined benefit plans, which comprise actuarial gains and losses arising from changes in actuarial assumptions or from experience adjustments, are recorded in the statement of comprehensive income.

Following the Reform of Supplementary Pension Benefits, as amended by the Budget Law 2007 and subsequent Decrees and Regulations issued during the early months of 2007, the employee severance indemnities that mature as from the date of January 1, 2007 are assigned to pension funds or to a treasury fund managed by INPS or, in the case of companies with less than 50 employees, they may be retained in the company and calculated in a manner similar to the method used in past years. Employees had the right to choose the destination of their employee severance indemnities up to June 30, 2007.
To this end, account was taken of the effect of the new provisions and therefore only the liability relative to the employee severance indemnities retained in the company is measured in accordance with IAS 19, since the portion of employee severance indemnities maturing as from 2007 is assigned to alternative forms of pension or is paid into a treasury fund managed by INPS, depending on the choice of destination made by each individual employee.

Consequently, the portion of employee severance indemnities matured assigned to pension funds or to the INPS-managed fund is classified as a defined contribution plan given that the company's obligation is comprised only of the payment of contributions to the pension fund or to INPS. The liability for severance indemnities previously accrued continues to be considered as a defined benefit plan and is measured on the basis of actuarial assumptions.

Translation of foreign currency balances and transactions

Transactions in foreign currency are translated to Euros using the exchange rate in effect at the relative transaction dates. Foreign exchange gains and losses realized on the receipt or the payment of the above transactions and the unrealized gains and losses arising from the year-end translation of monetary asset and liability balances denominated in foreign currencies are recognized in the income statement.

Foreign exchange gains and losses arising from bonds and other monetary assets measured at fair value through profit or loss are recognized in the income statement as part of the changes in the relative fair value.

Share-based compensation

The Group has issued equity-settled stock option plans (plans in which the beneficiary is granted the right to purchase shares of the company at a pre-determined price whenever specific conditions are met).
In accordance with IFRS 2 – *Share-based payment*, the fair value of the stock options is determined at the grant date using the Black & Scholes method and is recognized in the income statement under payroll costs over the period from the grant date to the vesting date, with a corresponding entry directly in a specific reserve in shareholders' equity. This entry also takes into account the estimated number of options that will effectively vest in favor of the recipients.
When the stock option is exercised, the amounts received by the employee, net of the costs directly
attributable to the transaction, are credited to share capital for an amount equal to the par value of the
shares issued and the remaining part is recognized as a change in the share premium reserve.

Costs and revenues

Costs and revenues are recorded in accordance with the accruals principle.

Revenues are stated net of returns, discounts, allowances, rebates, taxes and directly related promotional contributions. Revenues are recorded upon delivery of the goods to the final customer when all the risks and rewards relative to ownership of the goods are transferred.

Financial expenses

Financial expenses are charged to the income statement in the period in which they are incurred. They include interest charges on bank overdrafts and loans, financial charges relative to financial leasing contracts, actuarial losses and financial expenses deriving from the actuarial valuation of the provision for TFR.

Income tax

Current income taxes represent a realistic estimate of the tax charge, calculated on the basis of the fiscal legislation in force in those countries in which the Group operates.

Deferred income taxes are calculated on temporary differences arising between the carrying amounts of assets and liabilities in the financial statements and their fiscal value (full liability method), with the exception of goodwill. Deferred tax assets, including those relating to the carry forward of prior year tax losses, are recognized to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred taxation is are determined based on enacted tax rates that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Current and deferred income taxes are recognized in the income statement with the exception of income tax relative to items directly charged or credited to equity, in which case the related tax effect is recognized directly in equity. Current and deferred income taxes are offset when the income taxes are levied by the same taxing authority and where there is a legally enforceable right of offset and there are expectations of settling the net balance.

It should also be noted that, as from the year 2008, Intercos S.p.A. has opted to adhere for a three-year period to the national tax consolidation procedure as foreseen by articles 117-129 of the tax law *T.U.I.R.* in the role of "consolidating" company, with Intercos Europe S.p.A. and Marketing Projects S.r.l. as the "consolidated" companies. The option was renewed for the period 2011-2013 and again for the period 2014-2016.

Each "consolidated" company adhering to the tax consolidation procedure transfers its taxable income or tax loss to Intercos S.p.A. which records a receivable (equal to the IRES tax to be paid) from the companies which contribute a taxable income or a payable to the companies which transfer a tax loss.

Only as regards the effects of the deductibility of interest expenses, pursuant to art. 96, paragraph 7 of DPR 917/86, the following foreign companies are participating virtually in the national tax consolidation: Intercos America Inc., Intercos Cosmetics Suzhou and CRB S.A., since they meet the requisites and conditions set out in art. 117, paragraphs 1, 120 and 132, paragraph 2, letters b) and c).

It should also be noted that Intercos S.p.A., as the consolidating company, is responsible not only for any additional taxes assessed and the relative fines and interest referring to its own individual total income, but also for any sums which could become due, with reference to the consolidated tax return, from "formal control" activities pursuant to ex art. 36-ter DPR 600/73. It is also liable, jointly and severally, for the sums due in relation to fines levied on companies in the consolidated tax return which have committed violations in determining the individual position. Similarly, the consolidated companies are jointly and severally liable with Intercos S.p.A., as the consolidating company, for higher taxes assessed relating to the consolidated tax return referring to adjustments to the income in its tax return, also as a result of "formal control" activities, pursuant to ex art. 36-ter DPR 600/73. All of this is explained in detail in the Tax consolidation agreement stipulated on June 5, 2008, and subsequently updated on 10 September 2009, between Intercos S.p.A. and the aforementioned "consolidated" companies.

Earnings per share

The base earnings per share are calculated dividing the Group's net income by the average weighted number of shares in circulation during the year. The diluted earnings per share is calculated on the assumption that all of the other shares and bonds with a potential dilutive effect are converted, thus

increasing the weighted average number of shares in circulation. The net result of the Group is also adjusted to take account of the effects of this conversion, net of the related tax effects.
The diluted earnings per share coincide with the base earnings per share, given that there are no shares or options in circulation other than ordinary shares.

Operating Segments

During the year 2013 the Intercos Group continued to work to achieve an optimum overall structure by defining a new functional organizational structure, reorganizing the product lines and revising the relative system of control.
As a result of the above reorganization the Pencils and Color BU was transferred to the new Make-up BU.
The Make up business unit was created to meet a market demand that no longer asks for a "pencil" or "lipstick" product but a "cosmetic" product, one which regardless of the technology used (powders, lipsticks, wood pencils, plastic pencils etc.) offers a single solution able satisfy all applications for the eyes, face and lips. The Make-up BU is basically the aggregation of the two previous segments of Color and Pencils, due to the revisitation of the "cosmetic" product imposed by a market that no longer identifies distinct business segments within the make-up sector given that these are integrated horizontally.

Therefore the Group's business is now organized into two areas identified on the basis of the product lines indicated below:

- *Make-up* Business Unit: specialized in the creation, development, manufacture and marketing of powders, emulsions, lipsticks and cosmetics in the form of pens/pencils (*delivery systems*) for the face, eyes and lips;
- *Skin care* Business Unit: specialized in the manufacture and marketing of cosmetic and skin care creams.

Changes in accounting principles, new accounting principles, changes in estimates and reclassifications

Early adoption of new accounting standards

In preparing its consolidated financial statements as at December 31, 2012, the Group has early adopted the revised version of IAS 19 *"Employee benefits"*, revised by the IASB on 16 June 2011 and endorsed by the European Commission on June 5, 2012 with Regulation No. 475/2012. The new version of IAS 19 introduces inter alia: (i) the obligation to record the actuarial gains and losses in the statement of comprehensive income, eliminating the possibility to adopt the "corridor" method. The actuarial gains and losses recorded in the statement of comprehensive income may not be subsequently reclassified to profit and loss; (ii) the elimination of the separate e presentation of the components of cost relative to the liability for employees' defined benefits, represented by the expected return on the plan assets and of the cost for interest, and the substitution with the aggregate *"Net interest"*.

New accounting standards, interpretations and amendments adopted by the Group

In preparing the consolidated financial statements as at December 31, 2013, the Group adopted for the first time certain standards and amendments which require the restatement of the financial statements of the prior year; these include mainly IAS 1 – Presentation of financial statements. The nature and impact of such changes are described below, in accordance with the requirements of IAS 8.

Various other new standards and amendments came into force for the first time in 2013. The nature and impact of each new standard or amendment is detailed below:

- Amendments to IAS 1 Presentation of financial statements - Presentation of components of other comprehensive income: the amendment to IAS 1 requires entities to group items in components of other comprehensive income. The items that could in future be reclassified to the income statement, such as the net gain/loss from available-for-sale financial assets, must now be presented separately from those that will never be reclassified, such as the revaluation of land and buildings. The change refers only to the manner of presentation and did not have any impact on the financial position or the results of the Group.
- Amendments to IAS 12 – Deferred tax – recovery of underlying assets: IAS 12 clarifies the determination of deferred taxes on investment property measured at fair value. The amendment introduces the rebuttable presumption that the carrying amount of investment property measured using the fair value model in IAS 40 will be recovered through sale and that, consequently, the relative deferred taxes should be measured on a sale basis. The presumption is rebutted if the investment property is depreciable and held with the aim of using over time substantially all the benefits deriving from the investment property instead of realizing such benefits through sale. The amendment did not have any impact on the financial position, the results or the disclosure of the Group.
- Amendments to IFRS 7 Financial instruments: Diclosures – Offsetting financial assets and financial liabilities. These amendments require an entity to provide additional disclosures on the rights of set-off and relative agreements, such as guarantees. The additional disclosures will enable users of financial statements to evaluate the effect or the potential effects of netting arrangements on the entity's financial position. The disclosures in these amendments are required for all recognized financial instruments that are offset in accordance with IAS 32 – Financial Instruments: Presentation. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreements, irrespective of whether they are set off in accordance with IAS 32. These amendments did not have any impact on the financial position or the results of the Group.
- Amendments to IFRS 13 Fair value Measurement. IFRS 13 introduces a single source of guidance for all fair value measurements for use across IFRSs. IFRS 13 does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The application of IFRS 13 did not have significant impacts on the fair value measurements performed by

the Group.

Standards issued but not yet in force

The new accounting standards and interpretations which were issued but not yet applicable to the financial statements for the year ended on December 31, 2013 are presented below.

- IFRS 10 Consolidated financial statements and IAS 27 (2011) Separate financial statements: IFRS 10 replaces that part of IAS 27 Consolidated and separate financial statements that regards the preparation of consolidated financial statements. It also addresses the questions raised in SIC-12 Consolidation – Special purpose entities. IFRS 10 introduces a single control model, applicable to all entities, including special purpose entities. With respect to the provisions already contained in IAS 27, the changes introduced by IFRS 10 require management to carry out significant subjective assessments in order to determine which companies are subsidiaries and, therefore, must be consolidated by the parent. A preliminary analysis indicates that IFRS 10 is not expected to have any significant impact on the equity investments currently owned by the Group. This standard is applicable for periods beginning on or after January 1, 2014.
- IFRS 11 Joint arrangements: IFRS 11 replaces IAS 31 Interests in Joint ventures and SIC-13 Jointly controlled entities – Non Monetary Contributions by Venturers. IFRS 11 eliminates the option of accounting for joint ventures using the proportional consolidation method. The jointly controlled companies which meet the definition of "*joint venture*" must in fact be accounted for using the equity method. This standard is applicable for periods beginning on or after January 1, 2014 and must be applied retrospectively to joint control arrangements in existence at the date of initial application: a preliminary analysis indicates that IFRS 11 is not expected to have any significant impact on the consolidated financial statements of the Group.
- IFRS 12 Disclosure of Interests in Other Entities: IFRS 12 includes all of the disclosure requirements previously included in IAS 27 relative to financial statements, as well as all of the disclosure requirements of IAS 31 and of IAS 28. These disclosure requirements apply to all forms of interests in other entities, including subsidiaries, joint ventures, associates, special purpose vehicles and other unconsolidated vehicles. The standard also introduces new cases of disclosure. The standard will not have any impact on the financial position or on the economic results of the Group. This standard is applicable for periods beginning on or after January 1, 2014.
- IAS 28 (2011) Investments in Associates and Joint Ventures: following the introduction of the new IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 has been renamed Investments in Associates and Joint Ventures, and describes the application of the equity method for investments in joint ventures, as well as for associates. The amendments are applicable for periods beginning on or after January 1, 2014.
- IAS 32 Financial Instruments – Presentation: Offsetting of Financial Assets and Financial Liabilities – Amendments to IAS 32: the amendments clarify the significance of "currently has a legally enforceable right of set-off". The amendments also clarify the

application of the offsetting criteria of IAS 32 in the case of settlement systems (as for example centralized clearing houses) applying mechanisms of non-simultaneous gross settlement. These amendments are not expected to have any impact on the financial position or on the results of the Group and are applicable for annual periods beginning on or after January 1, 2014.

Business combinations, acquisition of minority interests and transactions under common control

Year 2013

On April 15, 2013 the Issuer purchased, from one of the two minority shareholders, a further stake in the company Ager S.r.l., equivalent to 24% of the share capital thereof, at a cost of Euro 85 thousand. As a result of this acquisition Intercos S.p.A.now owns 76% of Ager S.r.l.

In July 2013 the Issuer acquired from third parties a 60% shareholding in the company Drop Nail S.r.l., a company operating in the sector of the research, development, manufacture and marketing of nail varnishes. The acquisition price amounted to Euro 337 thousand. As part of this operation the Issuer also acquired, at a cost of Euro 264 thousand, equivalent to the nominal value thereof, the receivables that the previous shareholders were owed by Drop Nail S.r.l..

On September 18, 2013, as part of the corporate reorganization operation, the Issuer purchased, from the minority shareholder of Intercos Asia Pacific, a further equity investment in the company Intercos Cosmetics Suzhou, at a cost of USD 250 thousand (Euro 187 thousand). As a result of this acquisition the Issuer's direct shareholding in Intercos Cosmetics Suzhou increased from 98.33% to 100%.

On September 18, 2013 the sale to third parties of the equity investment held in Intercos Asia Pacific, equivalent to 58% of the share capital thereof, was concluded for a sale price of USD 3,021 thousand, corresponding to Euro 2,263 thousand. The detail of the assets and liabilities sold is shown below, at the effective date of the sale:

	At 30 September 2013
	(In thousands of Euro)
Non- current assets	
Property, plant and equipment	700
Other non-current receivables	45
Total non- current assets	**745**
Current assets	
Inventories	2,424
Trade receivables	2,336
Other current receivables	576
Cash and cash equivalents	516
Total current assets	**5,852**
Total Assets	**6,597**

Shareholders' equity	
Equity attributable to owners of the parent	
Share capital	1,014
Reserves	156
Retained earnings	3,319
Total equity attributable to owners of the parent	**4,489**
Equity attributable to non-controlling interests	
Total equity attributable to non-controlling interests	**-**
Total shareholders' equity	**4,489**
Non-current liabilities	
Deferred tax liabilities	20
Total non-current liabilities	**20**
Current liabilities	
Trade payables	1,219
Other payables	869
Total current liabilities	**2,088**
Total liabilities	**2,108**
Total liabilities and shareholders' equity	**6,597**

The table below shows the economic results of the company sold, considered as a discontinued operation:

	Period ended 30 September 2013	**Year ended December 31, 2012**	**Year ended December 31, 2011**
	(in thousands of Euro)		
Revenues from sales of goods and services	6,400	8,971	9,337
Other income and revenues	46	49	20
Purchases of raw materials, semi-finished products and consumables	(3,693)	(6,565)	(5,212)
Variation in inventories of raw materials, semi-finished products and finished products	(263)	777	(718)
Cost of services	(779)	(1,248)	(1,170)
Payroll costs	(1,155)	(1,666)	(1,491)
Other operating costs	0	(1)	*(36)*
Operating result before depreciation, amortization and non-recurring operating revenue/expenses	**556**	**316**	**730**
Depreciation and amortization	(75)	(113)	(98)
Non-recurring revenue/expenses	0	0	0
Operating Profit/(Loss)	**481**	**203**	**632**
Financial expenses	(39)	(154)	(187)
Income tax	(123)	(24)	(150)

Profit /(Loss) for the year	**319**	**25**	**295**

On October 3, 2013 the Issuer underwrote the share capital increase of the subsidiary Intercos do Brasil, increasing its direct investment in this company to 99.57% of the total share capital (the remaining 0.47% is held by Intercos America Inc.). The share capital increase underwritten amounted to USD 6,500 thousand (Euro 4,765 thousand), of which (a) USD 1,500 thousand paid immediately at the time of the underwriting, (b) USD 1,500 thousand paid on February 4, 2014, (c) USD 1,000 thousand paid on 3 June 2014; the residual portion of the share capital increase, for USD 2,500 thousand, is expected to be paid in within the end of November 2014.

On October 31, 2013 the liquidation of the subsidiary Intercos Regulatory Services S.r.l., was completed, following the resolution passed on 16 December 2012 for the early winding up of this company and the consequent placing into liquidation with effect as from December 28, 2012. The cancellation of the equity investment recorded for Euro 90 thousand at December 31, 2012 gave rise to a loss on disposal of Euro 68 thousand.

Financial year 2012

During the first months of 2012 the retail sales business segment operated by the subsidiary Marketing Projects S.r.l., was sold to the Percassi Group, resulting in the Group's exit from the retail sector, no longer considered strategic. The agreed sale price amounted to Euro 1,321 thousand. Marketing Projects S.r.l. was subsequently placed into liquidation on June 14, 2012. The operation sold was considered as a discontinued operations, given that the retail sector activities did not represent the Group's main business activity. Detail of the assets and liabilities sold is shown below:

	At December 31, 2012
	(In thousands of Euro)
Non-current assets	
Property, plant and equipment	74
Total non-current assets	**74**
Current assets	
Inventories	169
Total current assets	**169**
Total assets	**243**
Non-current liabilities	
Provisions for employee benefits	136
Total non-current liabilities	**136**
Total liabilities	**136**
Net assets sold	**107**
Sale price	1,321

Gain realized on disposal	**1,214**

The economic effects deriving from the business sold, considered as a discontinued operation, are shown below.

	Year ended December 31,	
	2012	**2011**
	(in thousands of Euro)	
Revenues from sales of goods and services	1,065	2,427
Other income and revenues	178	507
Purchases of raw materials, semi-finished products and consumables	(121)	(833)
Variation in inventories of raw materials, semi-finished products and finished products	(1,053)	(533)
Cost of services	(278)	(842)
Payroll costs	(302)	(497)
Other operating costs	(143)	(114)
Operating result before depreciation, amortization and non-recurring operating revenue/expenses	**(654)**	**115**
Depreciation and amortization	(3)	(20)
Non-recurring revenue/expenses	-	(1)
Operating Profit/(Loss)	**(657)**	**94**
Financial income	19	-
Financial expenses	(19)	(31)
Income tax	(157)	(13)
Profit / (Loss) for the year	**(814)**	**50**

The effects on the consolidated financial statements of the sale of the Marketing Projects business segment, equivalent to a loss of Euro 1,740 thousand, in addition to the loss attributable to that business segment, include the following:

- Euro 1,214 thousand relative to the gain realized on the sale of the business segment, representing the difference between the sale price of Euro 1,321 thousand and the value of the net assets sold of Euro 107 thousand;
- Euro 627 thousand relative to the writedown of the goodwill allocated to the business sold;
- Euro 130 thousand relative to the expenses incurred by Intercos S.p.A for the sale of the retail business segment;

Euro 1,383 thousand relative to the writedown of Intercos Europe S.p.A's inventories of the retail business.

On May 22, 2012 the share capital increase of the subsidiary Intercos do Brasil was resolved and underwritten entirely by Intercos S.p.A. for a total of Euro 3,157 thousand. As a result of this operation the share capital of Intercos do Brasil is 98.8% owned by Intercos S.p.A. and 1.20% owned by Intercos America Inc..

During the year 2012 Intercos Europe S.p.A. sold its 100% shareholding in the company Interfila Shanghai to Intercos S.p.A.. The sale price amounted to Euro 2,738 thousand, equivalent to the carrying value of the investment and therefore no gain was realized on this sale.

On 16 December 2012 a resolution was made for the early winding up of the subsidiary Intercos Regulatory Services S.r.l., subsequently placed into liquidation with effect as from 28 December 2012.

On December 17, 2012 the Issuer acquired from Ferrari Dario Gianandrea an equity investment for a Euro 1 thousand of the company Ager S.r.l.. As a result of this operation Intercos S.p.A.'s holding rose from 50% to 52%.

Financial year 2011

On October 1, 2011 the following operations were carried out as part of the project for the corporate reorganization of the Group:

- Interfila S.r.l., a manufacturing company with production plant at Limbiate, was incorporated by merger into the company Color Cosmetics S.r.l. (now called Intercos Europe S.p.A.);
- Intercos S.p.A. conferred upon the subsidiary company Color Cosmetics S.r.l. the business segment relative to the manufacture and commercialization of cosmetics;
- Color Cosmetics S.r.l. was transformed into a joint stock company (società per azioni), changing its name to "Intercos Europe S.p.A.".

As a result of this reorganization, Intercos Europe S.p.A. took over responsibility for all of the manufacturing and commercial functions previously administered by Intercos S.p.A. while this latter took on the role of holding company, retaining ownership of the buildings, trademarks, industrial patents, equity investments in Italian and foreign companies, research and development activities and the strategic marketing and management of all of the Group's corporate, financial and administrative functions.

As a result of the incorporation by merger of Interfila S.r.l. in Color Cosmetics S.r.l. the share capital of the latter increased for an amount equal to the share capital of the incorporated company, rising from Euro 36 thousand to Euro 556 thousand, while as a result of the conferral of the business segment relative to the manufacture and marketing of cosmetic products by Intercos S.p.A., the share capital of Intercos Europe S.p.A. increased by Euro 2,444 thousand and the share premium reserve increased by Euro 17,301 thousand.

On June 29, 2011 the company Intercos do Brasil Industrìa e Comercio de Productos Cosméticos Ltda. was constituted with a share capital of Euro 68 thousand (150,000 Brazilian Real). The share capital was underwritten for 40% by Intercos S.p.A. and for 60% by Intercos America Inc.

6. Property, plant and equipment

The table below shows details of the historical cost, accumulated depreciation and net carrying value of Property, plant and equipment at December 31, 2013, 2012 and 2011:

	Land and buildings	Plant and machinery	Industrial equipment	Office furniture and equipment	Motor vehicles and internal transport equipment	Mobile phones	Assets under construction and advances to suppliers	Total Property, plant and equipment
				(in thousands of Euro)				
Historical cost as of December 31, 2011	104,563	93,138	28,253	10,401	2,185	12	1,236	239,788
Accumulated depreciation as of December 31, 2011	(38,429)	(64,576)	(25,488)	(8,580)	(1,782)	(12)	-	(138,867)
Net book value as of December 31, 2011	**66,134**	**28,562**	**2,765**	**1,821**	**403**	**-**	**1,236**	**100,921**
Historical cost as of December 31, 2012	106,186	102,438	30,483	10,311	2,354	12	253	252,037
Accumulated depreciation as of December 31, 2012	(42,739)	(75,997)	(27,057)	(8,608)	(1,842)	(12)	-	(156,255)
Net book value as of December 31, 2012	**63,447**	**26,441**	**3,426**	**1,703**	**512**	**-**	**253**	**95,782**
Historical cost as of December 31, 2013	104,545	106,815	32,153	9,882	2,364	13	735	256,507
Accumulated depreciation as of December 31, 2013	(47,289)	(82,935)	(29,022)	(7,944)	(1,816)	(12)	-	(169,018)
Net book value as of December 31, 2013	**57,256**	**23,880**	**3,131**	**1,938**	**548**	**1**	**735**	**87,489**

The following movements took place in Property, plant and equipment during the year ended December 31, 2013:

	Land and buildings	Plant and machinery	Industrial equipment	Office furniture and equipment	Motor vehicles and internal transport equipment	Mobile phones	Assets under construction and advances to suppliers	Total Property, plant and equipment
				(in thousands of Euro)				
Net book value of January 1, 2013	**63,447**	**26,441**	**3,426**	**1,703**	**512**	**0**	**253**	**95,782**
Additions	203	5,086	1,786	910	272	1	1,441	9,699
Disposal	(9)	(569)	(60)	(637)	(292)	0	(386)	(1,953)
Depreciation	(5,028)	(6,241)	(2,010)	(40)	56	0	0	(13,263)
Exchange rate adjustments	(1,835)	(140)	(56)	(702)	30	0	0	(2,703)
Reclassification	478	(697)	45	704	(30)	0	(573)	(73)
Net book value as of December 31, 2013	**57,256**	**23,880**	**3,131**	**1,938**	**548**	**1**	**735**	**87,489**

During the year 2013 the Intercos Group recorded capital expenditure on Property, plant and equipment for a total of Euro 9,699 thousand, comprised principally of the following:

- Additions to plant, machinery and industrial equipment: these regarded capital expenditure carried out by Group companies in order to increase production capacity in order to support the growth in turnover, in particular by the subsidiaries Intercos do Brasil e Intercos Europe, as well as the development and expansion of the production lines for the Group's new technologies;
- Assets under construction and advances to suppliers: these refer to advances paid to suppliers of plant and machinery, and relate mainly to the subsidiaries Intercos Europe and Intercos America.

The decreases include:

- Net decrease in land and buildings due to exchange differences of Euro 1,325 thousand;
- Net decreases in plant and machinery (Euro 523 thousand) and office furniture and equipment (Euro 45 thousand) following the sale of Intercos Asia Pacific.

No indications of a possible impairment of Property, plant and equipment emerged during the year 2013.

The following movements took place in Property, plant and equipment during the year ended December 31, 2012:

	Land and buildings	Plant and machinery	Industrial equipment	Office furniture and equipment	Motor vehicles and internal transport equipment	Mobile phones	Assets under construction and advances to suppliers	Total Property, plant and equipment
				(in thousands of Euro)				
Net book value as of January 1, 2012	**66,134**	**28,562**	**2,765**	**1,821**	**403**	**0**	**1,236**	**100,921**
Additions	2,111	4,065	2,144	564	401	0	1,635	10,920
Disposal	0	(227)	(92)	(663)	(260)	0	(516)	(1,758)
Depreciation	(5,080)	(7,586)	(1,630)	(28)	(2)	0	0	(14,326)
Exchange rate adjustments	(488)	5,461	178	9	28	0	0	5,188
Reclassification	770	(3,834)	61	0	(58)	0	(2,102)	(5,163)
Net book value as of December 31, 2012	**63,447**	**26,441**	**3,426**	**1,703**	**512**	**0**	**253**	**95,782**

During the year 2012 the Intercos Group recorded capital expenditure on Property, plant and equipment for a total of Euro 10,920 thousand, comprised principally of the following:

- Additions to Land and buildings: these refer to work carried out for the improvement and expansion of the Group's production plants, in particular the subsidiary Intercos America for the expanding of the West Nyack plant;
- Additions to plant, machinery and industrial equipment: these regarded capital expenditure carried out by Group companies in order to increase production capacity in order to support the growth in turnover, in particular by the subsidiaries Intercos do Brasil e Intercos Europe, and to the production lines relative to the Group's new technologies.
- Assets under construction and advances to suppliers refer principally to costs sustained for the implementation of integrated IT systems, subsequently reclassified to Intangible assets in order to better represent the nature of such costs.

No indications of a possible impairment of Property, plant and equipment emerged during the year 2012.

The following movements took place in Property, plant and equipment during the year ended December 31, 2011:

	Land and buildings	**Plant and machinery**	**Industrial equipment**	**Office furniture and equipment**	**Motor vehicles and internal transport equipment**	**Mobile phones**	**Assets under construction and advances to suppliers**	**Total Property, plant and equipment**
				(in thousands of Euro)				
Net book value as of January 1, 2011	**67,918**	**27,319**	**2,812**	**1,336**	**417**	**0**	**1,465**	**101,267**
Additions	1,316	7,125	1,612	818	224	0	760	11,855
Disposal	(3)	(933)	(1)	(144)	(87)	0	(18)	(1,186)
Depreciation	(4,514)	(6,616)	(1,726)	(230)	(144)	0	0	(13,230)
Exchange rate adjustments	1,498	(2,643)	166	181	(88)	0		(886)
Reclassification	(81)	4,310	(98)	(140)	81	0	(971)	3,101
Net book value as of December 31, 2011	**66,134**	**28,562**	**2,765**	**1,821**	**403**	**0**	**1,236**	**100,921**

In 2011 the Intercos Group recorded capital expenditure on Property, plant and equipment for a

total of Euro 11,855 thousand, comprised principally of the following:

- Additions to land and buildings: these refer to various work carried out on the Group's buildings, in particular in Intercos America;
- Additions to plant, machinery and industrial equipment: these regarded capital expenditure carried out by Group companies in order to increase production capacity in order to support the growth in turnover, in particular by the subsidiaries Intercos America and Intercos Europe, and, to a lesser extent, by Intercos S.p.A.;
- Assets under construction and advances to suppliers refer to advances paid to suppliers of plant and machinery.

No indications of a possible impairment of Property, plant and equipment emerged during the year 2011.

7. Intangible assets

The table below shows the movements in Intangible assets for the year ended on December 31, 2013:

	Research and development costs	Patent rights	Concessions, licences	Assets in progress	Other	Total intangible assets
			(in thousands of Euro)			
Net book value as of January 1, 2013	**10.435**	**2.202**	**233**	**3.166**	**549**	**16.585**
Additions	872	185	22	4.480	292	5.851
Disposal	(89)	0	0	0	0	(89)
Depreciation	(4.257)	(1.432)	(61)	0	(13)	(5.763)
Exchange rate adjustments	0	21	0	0	0	21
Reclassification	83	844	0	(969)	(18)	(60)
Net book value as of December 31, 2013	**7.044**	**1.820**	**194**	**6.677**	**810**	**16.545**

Intangible assets amount to Euro 16,545 thousand at December 31, 2013 and are comprised principally of research and development costs incurred by Intercos Group companies against research and development projects.

The additions to Research and development costs amounted to Euro 872 thousand for the year 2013 and refer principally to investments made by CRB S.A. and Intercos America. The balance at December 31, 2013 includes R&D projects capitalized in Intercos S.p.A. for Euro 4,420 thousand, relative to research and development projects completed and put into production, among which are:

- the "New make-up technologies" project, commenced in 2009, with a residual net value of Euro 336 thousand. This shall become fully amortized in 2014;
- the "Prisma shine" project, commenced in 2010, with a residual net value of Euro 1,332 thousand. This shall become fully amortized in 2015;

- the "Powder Gelling" project, commenced in 2011, with a residual net value of Euro 2,664 thousand. This shall become fully amortized in 2017.

Lastly, this heading includes projects for the development of raw materials and new cosmetic formulas in Intercos America (residual net value of Euro 1,166 thousand) and CRB S.A. (residual net value of Euro 1,172 thousand).

The increase in Patent rights regards mainly the costs sustained for the implementation of the SAP software system in Intercos S.p.A. for Euro 104 thousand.

The additions for the year to Assets under construction regard projects not yet completed as at December 31, 2013. In particular, the principal increases regard, for Euro 2,093 thousand, the "Exclusive materials and tailor-made solution for Cosmetics Applications" project (the total value of which amounted to Euro 4,035 thousand at December 31, 2013), started in 2012 and expected to be completed in 2014 as well as, for Euro 1,075 thousand, a new project called "Back Injection", commenced in 2013, and expected to be completed within the end of 2014.

No indications of a possible impairment of Intangible assets emerged during the year 2013.

The table below shows the movements in Intangible assets for the year ended on December 31, 2012:

	Research and development costs	Patent rights	Concessions, licences	Assets in progress	Other	Total intangible assets
			(in thousands of Euro)			
Net book value as of January 1, 2012	**9.835**	**3.261**	**139**	**2.014**	**457**	**15.706**
Additions	1.026	565	24	3.362	540	5.517
Disposal	(10)	(14)	(9)	0	(24)	(57)
Depreciation	(3.936)	(1.953)	(48)	0	(5)	(5.942)
Exchange rate adjustments	0	0	0	0	0	0
Reclassification	3.520	343	127	(2.210)	(419)	1.361
Net book value as of December 31, 2012	**10.435**	**2.202**	**233**	**3.166**	**549**	**16.585**

Intangible assets amount to Euro 16,585 thousand at December 31, 2012.

The additions to Research and development costs amounted to Euro 1,026 thousand for the year 2012 refer principally to the investments carried out by CRB S.A. and Intercos America. The balance at December 31, 2012 includes research and development projects capitalized in Intercos S.p.A. for Euro 6,848 thousand, relative to research and development projects completed and put into production, among which are:

- the "Hot pressing" project, commenced in 2008, with a residual net value of Euro 349 thousand, fully amortized in 2013;
- the "New Make-up technologies" project, commenced in 2009, with a residual net value of Euro 1,007 thousand. This shall become fully amortized in 2014;
- the "Prisma shine" project, commenced in 2010, with a residual net value of Euro 2,080

thousand. This shall become fully amortized in 2015;

- the "Powder Gelling" project, commenced in 2011, with a residual net value of Euro 3,375 thousand. This shall become fully amortized in 2017.

The Reclassifications include a reclassification of Euro 1,309 thousand from Property, plant and equipment of the costs sustained for the implementation of integrated IT systems, made in order to better represent the nature of such costs.

Lastly, this heading includes projects for the development of raw materials and new cosmetic formulas in Intercos America (residual net value of Euro 1,483 thousand) and CRB S.A. (residual net value of Euro 1,924 thousand).

The increase in Patent rights regards mainly costs sustained for the implementation of SAP system in Intercos S.p.A. for Euro 416 thousand and in CRB S.A. for Euro 107 thousand.

The increase in Assets in progress regard projects not yet completed at December 31, 2012. In particular the principal increases regard for Euro 1,789 thousand the new "Exclusive materials and Tailor-made solutions for Cosmetics Applications" project (capitalized for a total of Euro 3,882 thousand at December 31, 2012), commenced in 2012 and expected to be completed during the year 2014.

The category Others includes costs capitalized relative to the development and implementation of the software necessary in order to improve the control model process.

No indications of a possible impairment of Intangible assets emerged during the year 2012.

The table below shows the movements in Intangible assets for the year ended on December 31, 2011:

	Research and development costs	Patent rights	Concessions, licences	Assets in progress	Other	Total intangible assets
			(in thousands of Euro)			
Net book value as of January 1, 2011	**11.303**	**4.943**	**46**	**422**	**32**	**16.746**
Additions	1.620	696	130	2.008	1.057	5.511
Disposal	0	(158)	0	0	(483)	(641)
Depreciation	(3.625)	(2.220)	(37)	0	(149)	(6.031)
Exchange rate adjustments	115	0	0	6	0	121
Reclassification	422	0	0	(422)	0	0
Net book value as of December 31, 2011	**9.835**	**3.261**	**139**	**2.014**	**457**	**15.706**

Intangible assets amount to Euro 15,706 thousand at December 31, 2011.

The additions to Research and development costs amounted to Euro 1,620 thousand for the year 2011 and refer principally to investments carried out by CRB S.A. and Intercos America. The balance at December 31, 2011 includes R&D projects capitalized in Intercos S.p.A. for Euro 5,572 thousand, relative to R&D projects completed and put into production, among which are:

- the "Hot pressing" project, commenced in 2008, with a residual net value of Euro 985 thousand, fully amortized in 2013;

- the "New Make-up technologies" project, commenced in 2009, with a residual net value of Euro 1,689 thousand. This shall become fully amortized in 2014;
- the "Prisma shine" project, commenced in 2010, with a residual net value of Euro 2,830 thousand. This shall become fully amortized in 2015;

Lastly, this heading also includes projects for the development of raw materials and new cosmetics formulas in Intercos America (residual net value of Euro 662 thousand) and CRB S.A. (residual net value of Euro 945 thousand).

The increase in Patent rights regards mainly the costs sustained for the implementation of the SAP system in Intercos S.p.A. for Euro 431 thousand and in CRB S.A. for Euro 214 thousand.

The increase in Assets in progress includes the capitalization in Intercos S.p.A. of research and development costs for Euro 2,008 thousand for projects not yet completed at December 31, 2011. The research and development projects contained in Assets in progress refer to products which shall be marketed and which form part of the products which the Company intends to launch in the near future.

No indications of a possible impairment of Intangible assets emerged during the year 2011.

8. Goodwill

As mentioned previously, during the year 2013 the Intercos Group has continued the steps taken towards the optimization of its overall structure by defining a new functional organizational structure, reorganizing its product lines and revising the relative control system.
As a result of the above reorganization the Pencils and Color BUs were transferred and absorbed into the new Make-up BU, and, consequently, two Cash-Generating Units (CGU) were identified for the purpose of impairment testing:

- "Make-up" CGU: specialized in the creation, development, manufacture and marketing of powders, emulsions, lipsticks and cosmetics using delivery systems in the form of pens/pencils for the face, eyes and lips. This CGU is represented by almost all of the Group companies including Intercos Asia Pacific Ltd (sold during the year 2013), with the exception of CRB S.A.;
- "Skin care" CGU: introduced in 2006 following the decision to diversify the Intercos Group's business through the acquisition of the Swiss company CRB S.A. specialized in the manufacture and marketing of cosmetic and skin care creams. This CGU is represented by the company CRB S.A. and partially by Intercos Europe S.p.A., Intercos America Inc and Intercos Technology Co Ltd.

The following movements in goodwill took place during the years ended December 31, 2013, 2012 and 2011:

	At December 31,		
	2013	2012 restated	2011 restated
	(In thousands of Euro)		
Opening balance at January 1,	74,434	74,969	74,449
Increases	307	92	520
Writedowns	0	(627)	0

Translation adjustments	(269)	0	0
Closing balance at December 31,	**74,472**	**74,434**	**74,969**

Goodwill increased from Euro 74,434 thousand at December 31, 2012 to Euro 74,472 thousand at December 31, 2013 as a result of the following:

- an increase of Euro 307 thousand following the acquisition of an equity investment in the company Drop Nail S.r.l., equivalent to 60% of the share capital thereof. Drop Nail S.r.l. is engaged in the research, development, manufacture and marketing of nail varnish;
- a decrease of Euro 269 thousand following the conversion into Euro of the value of the goodwill deriving from the acquisition of foreign companies and in particular for Euro 22 thousand relative to the company Interfila Shanghai (CGU *"Make up"*) and for Euro 247 thousand relative to the company CRB S.A. (CGU *"Skin care"*),

Goodwill fell from Euro 74,969 thousand at December 31, 2011 to Euro 74,434 thousand at December 31, 2012 due to the following:

- an increase of Euro 92 thousand following the conversion into Euro of the value of the goodwill deriving from the acquisition of foreign companies and, in particular, a decrease of Euro 11 thousand relative to the company Interfila Shanghai (*"Make Up"* CGU) and an increase of Euro 103 thousand relative to the company CRB S.A. (*"Skincare"* CGU);
- a decrease of Euro 627 thousand following the sale of the retail business managed by the subsidiary Marketing Projects S.r.l. in May 2012. Further detail regarding this sale is provided in the paragraph "Business combinations, acquisition of minority shareholdings, operations "under common control" and discontinued operations.

Goodwill amounts to Euro 74,969 thousand at December 31, 2011; during the year 2011 goodwill rose by Euro 520 thousand following the conversion into Euro of the value of the goodwill deriving from the acquisition of foreign companies and in particular an increase of Euro 109 thousand was recorded relative to the company Interfila Shanghai ("Make Up" CGU) and an increase of Euro 411 thousand relative to the company CRB S.A. ("Skincare" CGU).

The recoverable amount of the CGUs to which goodwill is allocated is defined as the value in use.

For the year 2013 the value in use was determined using the discounted cash flow method, discounting to present value the operating flows resulting from the business plan drawn up by company management. In particular, management used the 2014 Economic Budget prepared by the Group at the end of 2013 and the new 2014-2018 business plan approved on March 31, 2014 by the Board of Directors of the parent.

For the year 2012, management used the 2013 Economic Budget prepared by the Group at the end of 2012 and the 2010-2014 business plan approved on June 4, 2010 amended to take account of the economic and financial effects deriving from the failure to carry out an investment project originally included in the abovementioned plan.

Lastly, for the year 2011, management used the 2012 Economic Budget prepared by the Group at the end of 2011 with the 2010-2014 business plan approved on June 4, 2010 and amended to take account of the economic and financial effects deriving from the failure to carry out an investment

project originally included in the abovementioned plan.

The valuation model determines the value in use as the sum of operating cash flows (defined as gross operating margin net of implicit income tax on operating profit, as well as variations in net working capital, variations in employee severance indemnities and acquisitions and disposals of fixed assets) for each year of the plan.
The cash flows were discounted to present value at a WACC rate (weighted average cost of capital) determined as follows for the different CGUs:

	At December 31,		
	2013	**2012 restated**	**2011 restated**
		(In thousands of Euro)	
Skin Care CGU	8.24%	7.58%	6.36%
Make Up CGU (as from 2013)	8.88%	-	-
of which Pen/Pencils CGU		*8.41%*	*8.50%*
of which Colours CGU		*8.20%*	*8.42%*

The terminal value was determined by applying a perpetual growth factor that is basically representative of the expected inflation rate of 2% for each of the three years to the operating cash flows for the last year of the normalized plan.

The table below shows the values in use of the single CGUs as at December 31, 2013, 2012 and 2011, determined as described above:

	2013			**2012 restated**			**2011 restated**		
	Enterprise Value	**Net Capital invested**	**Cover**	**Enterprise Value**	**Net Capital invested**	**Cover**	**Enterprise Value**	**Net Capital invested**	**Cover**
				(In millions of Euro)					
Skin Care CGU	115.2	32.7	82.5	129.4	32.0	97.4	243.4	208.9	34.5
Make Up CGU (as from 2013)	455.3	237.9	217.4	323.8	242.5	81.3	206.0	75.7	130.3
of which Pencils CGU				*90.4*	*44.1*	*46.3*	*42.3*	*40.2*	*2.1*
of which Colours CGU				*233.4*	*198.4*	*35.0*	*163.7*	*35.5*	*128.2*
Total	**570.5**	**270.6**	**299.9**	**453.2**	**274.5**	**178.7**	**449.4**	**284.6**	**164.8**

No impairment losses on the carrying amount of goodwill emerged from the impairment tests carried out, given that the value in use determined for each of the CGUs identified was higher than the relative carrying amount (net invested capital, inclusive of the portion of goodwill specifically allocated). The sensitivity analyses conducted when the impairment test was performed did not indicate any impairment as a result of a change in the growth factor or the WACC (average cost of capital).

9. Deferred tax assets

The table below shows the timing differences which gave rise to the calculation of deferred tax assets at December 31, 2013, 2012 and 2011:

	At December 31,		
	2013	2012 restated	2011 restated
	(In thousands of Euro)		
Provision for obsolescence	6,026	3,462	4,416
Translation differences	543	1,488	1,854
Fees, interest and royalties deductible on a cash basis and not yet paid	2,286	1,707	278
Provision for bad debts	259	481	1,419
Provisions for risks and charges	873	56	28
Losses carried forward	8,964	11,527	8,840
Derivatives	0	576	1,130
Timing differences on revaluation of property, plant and equipment	1,016	1,709	496
Timing differences arising from foreign tax legislation	1,104	3,418	4,707
Other minor differences	446	1,223	984
Total Deferred tax assets	**21,517**	**25,647**	**24,152**

The Deferred tax assets have decreased from Euro 25,647 thousand at December 31, 2012 to Euro 21,517 thousand at December 31, 2013.

The total decrease of Euro 4,130 thousand is due principally to i) lower deferred tax assets recorded on tax losses matured by the Italian Group companies adhering to the national tax consolidation procedure following the partial utilization thereof against the taxable income matured in 2013, ii) to a reclassification to the heading Deferred tax liabilities of timing differences deriving from foreign fiscal legislation, in particular on the revaluation of inventories carried out in prior years by Intercos America, iii) to the reduction in the other timing differences relative to unrealized exchange differences (Euro 945 thousand) and iv) to the fair value of the two Interest Rate Swap contracts now expired (Euro 576 thousand).

This reduction was partially offset by the higher deferred tax assets recorded against i) timing differences relative to the Provision for obsolescence (Euro 2,564 thousand) and to the Provisions for risks and charges (Euro 817 thousand), this latter following the accrual of a provision for employee leaving incentives of Euro 2,980 thousand in view of the planned definitive closure of the Limbiate production plant.

Deferred tax assets rose from Euro 24,152 thousand at December 31, 2011 to Euro 25,647 thousand at December 31, 2012.

The total increase of Euro 1,495 thousand is due principally to higher deferred tax assets recorded i) on tax losses matured by the Italian companies adhering to the national tax consolidation procedure (Euro 2,687 thousand) and ii) on Royalties/Fees charged by Intercos S.p.A. to Intercos America and recorded by the latter but not paid during the year (Euro 1,210 thousand).

This increase was partially compensated for by lower deferred tax assets due to i) a reduction in the timing differences relative to the Provision for obsolescence and the Provision for bad debts

(Euro 1,892 thousand) and ii) to the fair value of two Interest Rate Swap contracts stipulated by Intercos S.p.A. (Euro 554 thousand).

10. Other non-current receivables

The table below shows the composition of Other non-current receivables at December 31, 2013, 2012 and 2011:

	At December 31,		
	2013	**2012 restated**	**2011 restated**
		(In thousands of Euro)	
VAT credit	6,700	6,700	3700
Interest on VAT credit	509	324	186
Guarantee deposits	269	244	287
Total Other non-current receivables	**7,478**	**7,268**	**4,173**

Other non-current receivables at December 31, 2013, 2012 and 2011 are comprised principally of the VAT credits for the years 2009 and 2010 for which refund has been requested and of the interest income matured thereon at the balance sheet dates.

11. Inventories

The table below shows the composition of Inventories at December 31, 2013, 2012 and 2011:

	At December 31,		
	2013	**2012 restated**	**2011 restated**
		(In thousands of Euro)	
Raw materials, packaging and consumables	31,473	34,579	35,820
Semi-finished products	25,286	23,938	20,416
Finished products	7,251	9,534	7,761
Total Inventories	**64,010**	**68,051**	**63,997**

Inventories amounted to Euro 64,010 thousand at December 31, 2013, representing a decrease of Euro 4,041 thousand with respect to December 31, 2012. This variation is mainly due to the increase in the provision for obsolescence, in particular for the companies Intercos Europe and Intercos America. The variation was due also to the following:

- the decrease following the sale of the company Intercos Asia Pacific;
- the reduction of Euro 3,106 thousand in raw materials, packaging and consumables, due mainly to higher writedown for obsolescence;
- the increase of Euro 1,348 thousand in semi-finished products due to the higher stock levels at the end of 2013;
- decrease of Euro 2,283 thousand in finished products due to the higher writedown for

obsolescence, partially compensated for by an increase in the volume of inventory at the year-end.

Inventories are shown net of the relative provision for obsolescence which underwent the following movements during the years ended December 31, 2013, 2012 and 2011:

	At December 31,		
	2013	**2012 restated**	**2011 restated**
	(In thousands of Euro)		
Opening balance at January 1,	14,566	14,138	10,103
Accrual	11,569	9,567	5,745
Utilization	(5,541)	(9,139)	(1,709)
Closing balance at December 31,	**20,595**	**14,566**	**14,138**

The Intercos Group adopts an inventory obsolescence valuation policy whereby it applies a 100% writedown to all materials and products which have not undergone movement in the previous 12 months, including products which still have a possibility for sale and/or production use. This policy has led to a progressive increase in the provision for obsolescence over the three-year period.

The increase in the provision for obsolescence at December 31, 2013 with respect to December 31, 2012 is due to the increase of Euro 2,002 thousand in the accrual for the year and the decrease Euro 3,598 thousand in utilization for the year.

12. Trade receivables

Trade receivables amounted to Euro 72,579 thousand, Euro 65,810 thousand and Euro 66,067 thousand respectively at December 31, 2013, 2012 and 2011.

All of the Group's trade receivables are short-term; for this reason their carrying value is assimilable to fair value.

Trade receivables represent the receivable due for the supply of goods and services; all of which are due within the following year. Trade receivables are non-interest bearing and are generally collectible between 30 to 90 days from the invoice date.

The provision for bad debts represents a reasonable estimate of the losses of a permanent nature deriving from risks of non-collectability identified against specific receivables recorded in the financial statements.

The table below shows the movements in the provision for bad debts for the years ended December 31, 2013, 2012 and 2011, showing a gradual decrease in the provision following the success of the credit control procedures implemented by the Group.

	At December 31,		
	2013	**2012 restated**	**2011 restated**
	(In thousands of Euro)		
Opening balance at January 1,	1,686	4,732	2,979

Accrual	549	1,494	4,828
Utilization	(1,258)	(4,540)	(3,075)
Closing balance at December 31,	**977**	**1,686**	**4,732**

The accruals and utilizations of the provision for bad debts during the period are recorded under the heading Other operating costs in the income statement.

13. Other current receivables

The table below shows the composition of Other current receivables at December 31, 2013, 2012 and 2011:

	At December 31,		
	2013	**2012 restated**	**2011 restated**
	(In thousands of Euro)		
Due from tax authorities	8,784	7,997	10,813
Sundry receivables	3,886	1,536	642
Advances to suppliers	1,243	740	1,433
Accrued income and prepaid expenses	1,074	1,372	1,352
Total Other current receivables	**14,987**	**11,645**	**14,240**

The receivables due from tax authorities are comprised principally of VAT credits, which amount respectively to Euro 8,784 thousand, Euro 7,997 thousand and Euro 10,813 thousand at December 31, 2013, 2012 and 2011.

The increase in the Sundry receivables at December 31, 2013 with respect to the previous year is due principally to the receivable of Euro 1,948 thousand generated by the sale to third parties of the equity investment held in the company Intercos Asia Pacific, to be paid in accordance with payment plan contained in the sale contract.

14. Cash and cash equivalents

The table below shows the composition of Cash and cash equivalents at December 31, 2013, 2012 and 2011:

	At December 31,		
	2013	**2012 restated**	**2011 restated**
	(In thousands of Euro)		
Bank and postal deposits	33,103	34,293	21,639
Cash on hand	638	696	1,238
Total Cash and cash equivalents	**33,741**	**34,989**	**22,877**

The values reported are readily convertible into cash and are subject to insignificant risk of loss in value.

The Intercos Group considers the credit risk related to cash and cash equivalents to be limited given that these are comprised principally of deposits spread out over a wide number of national and international banking institutions.

The Cash and cash equivalents at December 31, 2013, 2012 and 2011 are free from any constraints or restrictions regarding the use thereof.

15. Share capital and reserves

The Share capital amounts to Euro 10,710 thousand, fully paid-up, at December 31, 2013, 2012 and 2011, and is comprised of No. 10,710,193 shares with a par value of Euro 1 per share, as detailed below:

	At December 31,					
	2013		2012		2011	
	No. Shares	Value in thousands of Euro	No. Shares	Value in thousands of Euro	No. Shares	Value in thousands of Euro
Ordinary shares	5,330,000	5,330	5,330,000	5,330	5,330,000	5,330
Class "B" special ordinary shares	50,193	50	50,193	50	50,193	50
Class "C" special ordinary shares	-	-	-	-	-	-
Class "D" special ordinary shares	5,330,000	5,330	5,330,000	5,330	5,330,000	5,330
Total Share capital	**10,710,193**	**10,710**	**10,710,193**	**10,710**	**10,710,193**	**10,710**

In accordance with the Company Byelaws of the Issuer, the class B and C special shares have voting rights in ordinary and extraordinary shareholders' meetings, rights to participate in the distribution of profits and the allocation of the remaining assets in the event of liquidation of the Company but do not have pre-emptive rights in the event of the sale by the shareholders of other classes of share. The class D special shares have no voting rights in ordinary and extraordinary shareholders' meetings but have preference in the distribution of profits and the allocation of the remaining assets in the event of liquidation of the Company; they shall be converted into ordinary shares on December 31, 2015 at a conversion ratio of 1 to 1.
The table below shows the number of shares and the relative percentage of share capital held by the shareholders of the Issuer at December 31, 2013.

	Share Category	Number of shares	Share Capital (%)
Dafe 3000 S.r.l.	A	3,198,000	29.86%
Dafe 4000 S.r.l.	D	5,330,000	49.77%
Broletto 1 S.r.l.	A	2,132,000	19.90%
Others (managers)	B	50,193	0.47%

On 30 March 2011 the shareholder Dafe 4000 S.r.l. underwrote No. 2,665,000 special category

D shares, paying in the sum of Euro 2,665 thousand as share capital and Euro 22,335 thousand as share premium.

The Shareholders' Meeting of the Company held on 17 June 2009 resolved a share capital increase, in one or more tranches, of up to a maximum of Euro 152,487 thousand to be underwritten prior to 15 September 2014, to be used for the managers stock incentive plan approved with the Board of Directors' resolution on that same date; on 10 July 2014 this resolution was annulled by the Shareholders' Meeting of the Issuer.

The table below shows details of "Other reserves" and of "Retained earnings/losses brought forward" as at December 31, 2013, 2012 and 2011:

	At December 31,		
	2013	**2012 restated**	**2011 restated**
	(In thousands of Euro)		
Share premium reserve	66,005	66,005	66,005
Other reserves	261	22	58
Total Other reserves	**66,266**	**66,027**	**66,063**
Profit / (Loss) for the period	7,360	7,883	(10,218)
Reserve for cumulative translation adjustments	10,231	11,370	11,027
FTA Reserve	18,767	18,767	18,767
Other reserves and retained earnings/(losses brought forward)	(32,284)	(40,836)	(29,061)
Equity reserves and retained earnings/(losses brought forward)	**4,074**	**(2,816)**	**(9,485)**

The Other reserves amount to Euro 66,266 thousand, Euro 66,027 thousand and Euro 66,063 thousand respectively at December 31, 2013, 2012 and 2011, and are comprised principally of the share premium reserve.

The Retained earnings/(losses brought forward) amounts to Euro 4,074 thousand at December 31, 2013, showing a net increase of Euro 6,890 thousand with respect to December 31, 2012, deriving principally from the Group's comprehensive income for the period of Euro 6,095 thousand.

Reference should be made to the Statement of movements in consolidated net equity for the years ended December 31, 2013, 2012 and 2011 for detail of the movements in Other reserves and retained earnings/(losses brought forward).

16. Borrowings from banks and other lenders and other financial payables

The table below gives details of the Borrowings from banks and other lenders and other financial payables at December 31, 2013, showing the relative maturity dates thereof:

	At December 31, 2013	**Within 1 year**	**Between 1 to 5 years**	**After 5 years**
	(in thousands of Euro)			
Medium/long-term bank borrowings (Syndicate loan)	159,522	4,395	155,127	0
Revolving credit facilities- (tranche D Syndicate loan)	16,000	16,000	0	0

Total syndicate loan	**175,522**	**20,395**	**155,127**	**0**
Medium/long-term bank borrowings (Intercos America)	7,554	368	1,653	5,533
Medium/long-term bank borrowings (CRB)	3,266	179	798	2,289
Law 46 loan	944	336	608	0
Financial Leasing	332	114	218	0
Fair value of derivatives	0	0	0	0
Medium/long-term debt	**187,618**	**21,392**	**158,404**	**7,822**
Bank overdrafts	2,630	2,630	0	0
Payables for advances received against invoices	29,278	29,278	0	0
Financial payables towards others	2,174	2,174	0	0
Short term debt	**34,082**	**34,082**	**0**	**0**
Due towards factoring companies	531	531	0	0
Total	**222,231**	**56,005**	**158,404**	**7,822**

It should be noted that the "Financial payables towards others" contains the amount of Euro 2,174 thousand relative to the sum received during the year 2012 linked to a legal dispute with the supplier "Tata". This sum was received following the favourable court sentence in first degree and the company has recorded the entire amount received under financial payables given that the definitive outcome of the dispute remained uncertain. In January 2014 both parties signed a settlement agreement as a result of which the Company subsequently recorded the income arising due to the reversal of the abovementioned financial payable given that the sum received following the favourable first degree court sentence was deemed to have rightly been due to the Company according to this settlement agreement.

The table below shows details of the medium/long-term borrowings in existence as at December 31, 2013:

Company	Financial institution	Residual balance in thousands of Euro	I.r.r.*	Description
Intercos S.p.A.	Syndicate of banks	65,344	4.04%	Tranche A 2 2007 -2016 (in Euro)
Intercos S.p.A.	Syndicate of banks	0	4.70%	Tranche B 2007 -2013 (in USD)
Intercos S.p.A.	Syndicate of banks	13,371	2.72%	Tranche C 2007 -2015 (in Euro)
Intercos S.p.A.	Syndicate of banks	13,289	2.61%	Tranche C 2007 -2015 (in USD)
Intercos S.p.A.	Syndicate of banks	22,232	3.09%	Tranche D 2009 -2016 (in Euro)
Intercos Europe S.p.A.	Syndicate of banks	34,722	3.08%	Tranche D 2009 -2016 (in Euro)
Intercos S.p.A.	Syndicate of banks	10,564	2.36%	Tranche C Capex Final-2015 (in Euro)
Intercos S.p.A.	Syndicate of banks	16,000	2,79%	Tranche D 2 Revolving (in Euro)
Total Syndicate loans		**175,522**		
			Nominal interest rate	
Intercos S.p.A.	Other lenders		3.90%	Preferential loan Law 46 contr.10626 (in Euro)
Intercos S.p.A.	Other lenders	211	3.51%	Preferential loan Law 46 contr.10957 (in Euro)

Intercos S.p.A.	Other lenders	142	3.93%	Preferential loan Law 46 contr.11155 (in Euro)
Intercos S.p.A.	Other lenders	464	3.36%	Preferential loan Law 46 contr.11337 (in Euro)
Intercos Europe S.p.A	Other lenders	127	3.75%	Preferential loan Law 46 2000-2015 (in Euro)
Total Other lenders		**944**		
Intercos America Inc	HSBC Bank	3,477	0.20%	IDA Bond loan (in USD)
Intercos America Inc	HSBC Bank	4,077	2.27%	HSBC long-term loan (in USD)
Total American loan		**7,554**		
CRB S.A.	UBS Bank	3,266	1.08%	Mortgage & filling plant loan (in CHF)
Total Swiss loan		**3,266**		

* I.r.r.: Internal rate of return is the rate utilized for the IAS 39 valuation of the loans shown in the table above.

The syndicate loan is subject to a series of financial *covenants*, calculated on the basis of the consolidated financial statements. These limitations are summarized below:

1. Global Net Financial Indebtedness / Consolidated Group EBITDA;
2. Consolidated Group EBITDA/Consolidated Net Financial Charges;
3. Consolidated Available Cash Flow/Consolidated Debt Service.

The covenants also contain restrictions relative to Capital Expenditure and to the financial indebtedness relative to financial leasing of assets other than licences and IT equipment, this latter may not exceed Euro 1,500 thousand for each financial year.

The parameters of the covenants contained in the syndicate loan contract are defined as follows:

- Global Net Financial Indebtedness: the sum of (i) short and medium/long-term bank borrowings, (ii) payables for financial leasing, (iii) factoring and discounting of receivables operations (with the exception of factoring without recourse "pro-soluto"), (iv) payables for purchases of assets and services with extended terms of payment in excess of 180 days, (v) the *mark to market* of derivative instruments, (vi) any guarantee and counter-guarantee and waiver granted, net of (vii) cash and cash equivalents;
- Consolidated Group EBITDA: indicates the result for the period net of taxation, extraordinary items, revaluation or writedowns, net financial expenses, any accruals to provisions, including the provision for TFR and depreciation and amortization.
- Consolidated Net Financial Charges: indicates the sum of (i) the interest and commission payable relative to the Financial Indebtednesss (with the exception of the effective interests in application of IAS 39), (ii) the exchange losses deriving from financial debt expressed in currency other than the Euro, (iii) the costs or losses sustained in operations to hedge exchange risk, variations in interest rates, bank charges and commission not capitalized, net of interest income, exchange gains deriving from financial debt expressed in currency other than the Euro and revenues and profits deriving from hedging operations against exchange rate risk and variations in interest rates;

- Consolidated Available Cash Flows: indicates the Consolidated Group EBITDA less any taxes paid, plus dividends or other distribution of profits received from Group companies, plus or minus the variations in Net Working Capital, less the capital expenditure, plus the utilization from tranche C, plus the cash flows received as revenues from disposals, plus or minus other operating revenues or costs matured but not yet collected/paid, plus or minus any other extraordinary, exceptional or non-recurring income or expenses, received or paid;
- Consolidated Debt Service: indicates the outgoings relative to the Net Financial Charges originated from the financial indebtedness of the Group plus the outgoings relative to the payment (for any reason) of the capital portion of the Group's financial indebtedness (with the exception of obligatory and facultative advance repayments);
- Capital expenditure: indicates the capital expenditure on property, plant and equipment and on intangible assets (net of revaluations) carried out and paid during the year.

These *covenants* are calculated on the basis of the Group's consolidated financial statements and are verified on a quarterly basis with reference to the previous twelve months.

The following parameters must be met for each period:

Testing date	***Global Net Financial Debt / Consolidated Group EBITDA* ratio of less than**	***Consolidated Group EBITDA / Consolidated Net Financial Charges* ratio of more than**	***Consolidated Free Cash Flow / Consolidated Debt Service* ratio of more than**
December 31, 2011	7.1	2.7	1
31 March 2012	7.2	2.8	1
June 30, 2012	6.6	3	1
30 September 2012	6.2	3.1	1
December 31, 2012	5.8	3.4	1
31 March 2013	5.6	3.5	1
June 30, 2013	5.4	3.5	1
30 September 2013	5.2	3.6	1
December 31, 2013	4.8	3.7	1
31 March 2014	4.9	3.7	1
June 30, 2014	4.6	3.8	1
30 September 2014	4.5	3.8	1
December 31, 2014	4.1	3.9	1
31 March 2015	4.3	3.9	1
June 30, 2015	4.2	3.9	1
30 September 2015	4.1	3.9	1
December 31, 2015	3.8	4	1
31 March 2016	3.9	4.2	1
June 30, 2016	3.8	4.4	1

The following annual limits apply to the level of Capital expenditure and to the financial debt relative to the financial leasing of assets other than permitted licences and IT equipment:

Year of reference	Limit of Capital expenditure and financial indebtedness for leasing (in thousands of Euro)
2011	18,600
2012	13,500
2013	17,600
2014	20,200
2015	20,600
2016	21,100

The amount of Capital expenditure permitted in any given year may be increased by up to a maximum sum equivalent to 30% of the Capital expenditure permitted in the following year, which in turn shall be reduced correspondingly. Furthermore, an amount equivalent to 50% of Capital expenditure permitted not utilized in any given year may be added to the amount of Capital expenditure permitted in the following year, on the understanding that this amount may be carried forward for one year only.

In the event of the failure to meet even only one of the abovementioned financial parameters, the syndicate banks reserve the right to withdraw from the loan contract and demand the immediate repayment of all sums due thereto.

The contract foresees the following methods for rectifying eventual breaches of the financial covenants:

a the paying in of share capital or loans from shareholders, and

b the simultaneous advance repayment of the loan for an amount equivalent to 50% of the sum necessary in order to rectifying the breach.

The above conditions apply for non-consecutive quarters for no more than two times over the duration of the loan.

During the periods ended at December 31, 2011, December 31, 2012 and December 31, 2013 no failure to meet the parameters of a covenant took place, requiring the advance repayment of the loan.

The tables below show the figures used for the calculation of the covenants at December 31, 2013, 2012 and 2011 and the respective ratios.

	At December 31,		
	2013	2012	2011
		(In thousands of Euro)	
Global Net Financial Indebtedness	187,960	193,771	208,824
Consolidated Group EBITDA	51,035	51,335	43,617
Consolidated Net Financial Charges	8,170	11,704	12,405
Consolidated Available Cash Flows	19,653	47,820	26,286
Consolidated Debt Service	18,678	25,549	24,827
Capital expenditure for the period	13,529	14,678	15,983
Permitted Capital Expenditure	17,600	14,809	18,600

	At December 31,		
	2013	2012	2011
	(In thousands of Euro)		
Global Net Financial Indebtedness / Consolidated Group EBITDA	3.683	3.775	4.788
Consolidated Group EBITDA / Consolidated Net Financial Charges	6.142	4.386	3.516
Consolidated Available Cash Flows / Consolidated Debt Service	1.052	1.872	1.059
Permitted Capital Expenditure - Capital expenditure for the period	4,071	131	2,617

The syndicate loan contract also contains certain clauses which require the obligatory partial advance repayment in the event that certain situations occur, in particular in the event of the Sale of assets, of Compensation and of Excess Cash.

- Sale of assets: in the event that a Group company sells any of its assets not included in the list of Permitted Disposals, the Group must partially repay the debt for a sum equivalent to the proceeds from the abovementioned sale (net of taxes and costs incurred in the sale). This percentage is determined in relation to the ratio between Global Net Financial Indebtedness and Consolidated Group EBITDA, calculated at the date of sale on a pro-forma basis (excluding the sums to be repaid in advance).
- Indemnity: in the event that a Group company receives, for whatever reason, insurance indemnities in relation to the loss, destruction, theft or damage to their property or and the indemnity deriving from Sale and Purchase Agreement, the Group must partially repay the debt for a sum equivalent to the percentage of compensation received (net of taxes and the costs incurred in obtaining the compensation). This percentage is determined in relation to the ratio between Global Net Financial Indebtedness and Consolidated Group EBITDA, calculated at the date of receipt of the indemnity on a pro-forma basis (excluding the sums to be repaid in advance).
- Excess Cash: in the event that the consolidated financial statements of the Group show an Excess Cash of more than Euro 1,000 thousand, the Group must repay the debt for an amount equivalent to a percentage of the Excess Cash. This percentage is determined in relation to the ratio between Global Net Financial Indebtedness and Consolidated Group EBITDA, calculated at the period-end date on a pro-forma basis excluding the amounts to be used for advance repayments.

The table below shows the percentages applicable to the various covenants in order to determine the amount of the obligatory partial advance repayment:

Sale of assets and Indemnities received		Excess Cash	
Global Net Financial Debt / Consolidated Group EBITDA ratio ("X")	Percentage of advance repayment	Global Net Financial Debt / Consolidated Group EBITDA ("X")	Percentage of advance repayment
X > 4	100%	X > 4	100%

4 < X > 3.5	50%	4 < X > 3.5	75%
3.5 < X > 3	25%	X < 3.5	50%
X < 3	0%		

It should be noted that following the Excess Cash calculated for the year 2012, the Company was obliged to make a partial advance repayment of the debt for a total of Euro 15,953 thousand, in July 2013.

No circumstances arose during the year 2013 which rendered it obligatory to make a partial advance repayment of the debt.

Lastly, the Syndicate loan contract contains a mechanism which increases or decreases the initial minimum spread on the basis of the ratio between Global Net Financial Indebtedness and Consolidated Group EBITDA, as specified below:

Global Net Financial Indebtedness/ Consolidated Group EBITDA ratio ("X")	Tranche A and Tranche D	Tranche B, Tranche C and Revolving Tranche
X > 5.65	2.75%	2.25%
5.65 < X > 4	2.55%	2.10%
4 < X > 3	2.35%	2.00%
3 < X > 2.5	2.25%	1.90%
X < 2.5	2.15%	1.80%

However, where the ratio between Global Net Financial Debt and Consolidated Group EBITDA would indicate a reduction in the spread of more than one level according to the table above, the spread is reduced by one level only.

In addition to the syndicate loan, the Intercos Group companies have stipulated a series of other medium/long term loans.

In particular:

Intercos Spa has three preferential loans from the Ministry of Economic Development in accordance with "Law 46".

These loans are repayable in annual installments up until their maturity date. At December 31, 2013 the residual value of the Law 46 loans amounted to Euro 821 thousand, as detailed in the table below:

	Euro	Interest rate	Maturity date
Law 46 5° contr. 10957 -> installment 25-01	214	3.51%	25.01.2015
Law 46 6° contr. 11155 -> installment 12-12	143	3.93%	12.12.2015
Law 46 7° contr. 11337 -> installment 18-09	464	3.36%	18.09.2017
Total	**821**		

Intercos Europe has one preferential loans from the Ministry of Economic Development in accordance with "Law 46".

This loan is repayable in annual instalments up until its maturity date. At December 31, 2013 the residual value of the Law 46 loan amounted to Euro 145 thousand, as detailed in the table below:

	Amount	Interest rate	Maturity date
Law 46 /82 contr. 11051 /May	145	3.75%	22.05.2015

Intercos America holds two medium long term loans:

a) An IDA Bond loan, received from the County of Rockland (NY, USA) in December 2000, at the preferential interest rate of 0.20% p.a.. This loan is repayable in annual instalments up to January 1, 2021. At December 31, 2013 the residual value of the IDA Bond loan amounted to USD 4,875 thousand, equivalent to Euro 3,535 thousand.

b) Loan received from the HSBC bank in September 2012, at the Libor 1M interest rate + a 2.1% spread. This loan is repayable in monthly instalments up to 1 September 2017. At December 31, 2013 the residual value of the HSBC loan amounted to USD 5,622 thousand, equivalent to Euro 4,076 thousand.

CRB S.A. has two medium/long-term loans:

a Loan received from the UBS bank in January 2006, at the preferential interest rate of 1.079% p.a.. This loan is repayable in six-monthly instalments up to December 31, 2031. At December 31, 2013 the residual value of the loan amounted to CHF 2,160 thousand, equivalent to Euro 1,760 thousand.

b Loan received from the BCV bank in June 2006, at the preferential interest rate of 1.95% p.a.. This loan is repayable in six-monthly instalments up to December 31, 2030. At December 31, 2013 the residual value of the loan amounted to CHF 1,750 thousand, equivalent to Euro 1,426 thousand.

As security for the syndicate loan of 18 September 2007, Intercos S.p.A. has provided the following guarantees: pledge on 100% of the share capital of Intercos Europe SpA. (Euro 3,000 thousand) and on the shares of Intercos Spa (Euro 10,660 thousand), special lien on the corporate assets (plant and machinery, inventories and receivables) of Intercos SpA and of Intercos Europe SpA.

During the year 2008 a mortgage was granted on the buildings at the Agrate and Dovera plants in favour of Banca Intesa as security for the debt for an amount equivalent to double the amount of credit facility granted (Euro 500,000 thousand).

A further guarantee was provided by Intercos Spa in favour of the subsidiary Intercos America by means of a credit mandate of USD 6,600 thousand (equivalent to Euro 4,786 thousand at December 31, 2013), as security for the IDA bond loan described above.

The above financial parameters were met for the year ended December 31, 2013. It should be

noted that following the Excess cash calculated on the 2012 financial statement figures, in July 2013 the Company was obliged to make an advance partial repayment of the loan for a total of Euro 15,953 thousand.

No circumstances occurred during the years 2011 and 2013 to render obligatory the advance partial repayment of the loan.

The Intercos Group has stipulated certain derivative financial instruments in order to hedge against the interest rate risk on its bank borrowings.

The Issuer stipulates derivative contracts hedging purposes only, given that the Group's financial management policy does not foresee the negotiation of financial instruments for speculative purposes. For the derivative financial instruments which do not meet the requisites contained in the international accounting standards for the adoption of the Hedge Accounting method, the movements in the fair value of these financial instruments are recorded in the income statement .

The two Interest Rate Swap contracts that the Company had stipulated with Banca Intesa on 3January 1, 2011 both expired on December 31, 2013, paying a total of Euro 2,080 thousand in favour of the bank.

The table below shows details of the Borrowings from banks and other lenders and other financial payables at December 31, 2012, with indication of the relative maturity dates:

	At December 31, 2012 (restated)	**Due within 1 year**	**Due within 1 year 1 to 5 years**	**Due after 5 years**
		(in thousands of Euro)		
Medium/long-term bank borrowings (Syndicate loan)	182,711	18,687	164,026	0
Revolving credit facilities	20,000	20,000	0	0
Total Syndicate loan	**202,711**	**38,687**	**164,026**	**0**
Medium/long-term bank borrowings (Intercos America)	9,392	363	1,647	7,382
Medium/long-term bank borrowings (CRB)	3,506	182	812	2,512
Law 46 Loan	1,368	424	944	0
Financial leasing	277	91	186	0
Fair value of derivatives	2,094	2,094	0	0
Medium/long-term debt	**219,348**	**41,841**	**167,615**	**9,894**
Bank overdrafts	161	161	0	0
Payables for advances received against invoices	9,171	9,171	0	0
Financial payables towards others	2,174	2,174	0	0
Short-term debt	**11,506**	**11,506**	**0**	**0**
Payables towards factoring companies	73	73	0	0
Total	**230,927**	**53,420**	**167,615**	**9,892**

It should be noted that the "Financial payables towards others" contains the amount of Euro 2,174 thousand relative to the sum received during the year 2012 linked to a legal dispute with the supplier "Tata". This sum was received following the favourable court sentence in first degree and the company has recorded the entire amount received under financial payables given that the definitive outcome of the dispute remained uncertain.

The table below shows details of the medium/long-term borrowings in existence as at December 31, 2012:

Company	Financial institution	Residual balance in thousands of Euro	I.r.r.*	Description
Intercos S.p.A.	Syndicate of Banks	73,912	4.00%	Tranche A 2 2007 -2016 (in Euro)
Intercos S.p.A.	Syndicate of Banks	5,238	3.30%	Tranche B 2007 -2013 (in USD)
Intercos S.p.A.	Syndicate of Banks	16,835	2.75%	Tranche C 2007 -2015 (in Euro)
Intercos S.p.A.	Syndicate of Banks	13,860	2.73%	Tranche C 2007 -2015 (in USD)
Intercos S.p.A.	Syndicate of Banks	27,689	3.13%	Tranche D 2009 -2016 (in Euro)
Intercos Europe S.p.A.	Syndicate of Banks	34,611	3.13%	Tranche D 2009 -2016 (in Euro)
Intercos S.p.A.	Syndicate of Banks	10,566	2.83%	Tranche C Capex Final-2015 (in Euro)
Intercos S.p.A.	Syndicate of Banks	20,000	2.79%	Tranche D 2 Revolving (in Euro)
Total Syndicate loan		**202,711**		
Intercos S.p.A.	Other lenders	82	3.90%	Preferential loan Law 46 contr.10626 (in Euro)
Intercos S.p.A.	Other lenders	310	3.51%	Preferential loan Law 46 contr.10957 (in Euro)
Intercos S.p.A.	Other lenders	208	3.93%	Preferential loan Law 46 contr.11155 (in Euro)
Intercos S.p.A.	Other lenders	570	3.36%	Preferential loan Law 46 contr.11337 (in Euro)
Intercos Europe S.p.A	Other lenders	198	3.75%	Preferential loan Law 46 2000-2015 (in Euro)
Total Other lenders		**1,368**		
			Nominal interest rate	
Intercos America Inc	HSBC Bank	3,995	0.40%	IDA Bond loan(in USD)
Intercos America Inc	HSBC Bank	5,397	2.31%	HSBC long-term loan (in USD)
Total. American loans		**9,392**		
CRB S.A.	UBS Bank	3,506	1.18%	Mortgage & filling plant loan (in CHF)
Total Swiss loans		**3,506**		

* I.r.r.: Internal rate of return is the rate utilized for the IAS 39 valuation of the loans shown in the table above

It should be remembered that the Syndicate loan is subject to certain financial *covenants*, calculated with reference to the consolidated financial statement balances. For the year ended December 31, 2012, the parameters of these covenants were met, and an excess of cash was determined, which rendered obligatory the advance partial repayment of the loan to be set off *in primis* against Tranche A2 for a total of Euro 15,953 thousand.

On 3January 1, 2011 the company stipulated two Interest Rate Swap contracts with the Banca Intesa, for an initial notional value of Euro 78,500 thousands and USD 21,361 thousand respectively and with an expiry date, for both contracts, of December 31, 2013.

The counterpart bank pays the company a variable rate equivalent to:

- Euribor Forward quarterly rate for the loans in Euro;
- Libor Forward quarterly rate for the loans in USD;

Therefore each quarter the company receives or pays the differential with regard to the fixed rates as detailed below:

- Fixed rate of 2.68% for the part in Euro;
- Fixed rate of 1.65% for the part in USD.

The fair value calculated by summing the mark to market values of the two Interest Rate Swaps in existence at December 31, 2012 shows a total negative fair value of Euro 2,094 thousand, compared to a negative fair value of Euro 2,520 thousand at December 31, 2011.

The Interest Rate Swap contract which the company had stipulated with Banca Intesa on 21 December 2007 expired on 19 March 2012, paying a total of Euro 1,594 thousand in favour of the bank.

The table below shows details of the Borrowings from banks and other lenders and other financial payables at December 31, 2011, with indication of the relative maturity dates:

	At December 31, 2011 (restated)	Due within 1 year	Due within 1 to 5 years	Due after 5 years
		(in thousands of Euro)		
Medium/long-term bank borrowings (Syndicate loan)	190,545	17,364	173,181	0
Revolving credit facilities	0	0	0	0
Total Syndicate loan	**190,545**	**17,364**	**173,181**	**0**
Medium/long-term bank borrowings (Intercos America)	4,450	354	1,600	2,496
Medium/long-term bank borrowings (CRB)	3,661	181	806	2,674
Law 46 Loan	1,791	407	1,384	0
Financial leasing	194	94	100	0
Fair value of derivatives	4,109	1,589	2520	0
Medium/long-term debt	**204,750**	**19,989**	**179,591**	**5,170**
Bank overdrafts	3073	3073	0	0
Payables for advances received against invoices	27,096	27,096	0	0
Financial payables towards others	0	0	0	0

Short-term debt	**30,169**	**30,169**	**0**	**0**
Due towards factoring companies	891	891	0	0
Total	**235,810**	**51,049**	**179,591**	**5,170**

The table below shows details of the medium/long-term borrowings in existence as at December 31, 2011:

Company	Financial institute	Residual value in thousands of Euro	I.r.r.*	Description
Intercos S.p.A.	Syndicate of Banks	73,441	5.00%	Tranche A 2 2007 -2016 (in Euro)
Intercos S.p.A.	Syndicate of Banks	18,670	3.28%	Tranche B 2007 -2013 (in USD)
Intercos S.p.A.	Syndicate of Banks	16,857	1.89%	Tranche C 2007 -2016 (in Euro)
Intercos S.p.A.	Syndicate of Banks	14,116	2.82%	Tranche C 2007 -2016 (in USD)
Intercos S.p.A.	Syndicate of Banks	27,762	4.12%	Tranche D 2009 -2016 (in Euro)
Intercos Europe S.p.A.	Syndicate of Banks	34,700	4.12%	Tranche D 2009 -2016 (in Euro)
Intercos S.p.A.	Syndicate of Banks	5,000	3.28%	Tranche revolving (in Euro)
Total Syndicate Loan		**190,546**		
Intercos S.p.A.	Other lenders	161	3.90%	Preferential loan Law 46 contr.10626 (in Euro)
Intercos S.p.A.	Other lenders	405	3.51%	Preferential loan Law 46 contr.10957 (in Euro)
Intercos S.p.A.	Other lenders	271	3.93%	Preferential loan Law 46 contr.11155 (in Euro)
Intercos S.p.A.	Other lenders	674	3.36%	Preferential loan Law 46 contr.11337 (in Euro)
Intercos Europe S.p.A	Other lenders	280	3.75%	Preferential loan Law 46 2000-2015 (in Euro)
Total Other lenders		**1,791**		
			Nominal interest rate	
Intercos America Inc	HSBC Bank	4,450	0.40%	IDA Bond Loan (in USD)
Total American loans		**4,450**		
CRB S.A.	UBS Bank	3,661	1.24%	Mortgage & filling plant loan (in CHF)
Total Swiss loans		**3,661**		

* I.r.r.: Internal rate of return is the rate utilized for the IAS 39 valuation of the loans shown in the table above

The Company stipulated an Interest Rate Swap contract with Banca Intesa on 21 December 2007 for an initial notional value of Euro 115,000 thousand, with expiry date of 19 March 2012, at a fixed rate as detailed below. The counterpart bank pays the company a variable interest rate

equivalent to the Euribor 6 monthly rate, therefore each six months the company pays or receives the differential.

- Six-monthly fixed rate of 4.475% from 18.03.11 to 19.09.11.
- Six-monthly fixed rate of 4.475% from 19.09.11 to 19.03.12.

The fair value of the Interest Rate Swap in existence at December 31, 2011 shows a negative fair value of Euro 1,589 thousand, compared to a negative fair value of Euro 5,497 thousand at December 31, 2010.

At the end of January 2011 two new Interest Rate Swap contracts were stipulated with Banca Intesa, on an initial notional sum of Euro 78,500 thousand (fixed quarterly rate of 2.68%), and of USD 21,361 thousand (fixed quarterly rate of 1.65%), with a starting date of 31 March 2012 and an expiry date of December 31, 2013. The fair value at December 31, 2011 was negative and amounted to Euro 2,520 thousand.

17. Provisions for risks and charges

The table below shows the movements in Provisions for risks and charges during the years ended on December 31, 2013, 2012 and 2011:

The Provisions for risks and charges increased from Euro 1,959 thousand at December 31, 2012 to Euro 4,554 thousand at December 31, 2013.

During the year 2013 an accrual of Euro 4,188 thousand was made to a provision for non-recurring expenses, of which Euro 2,983 thousand relative to the closure of the Limbiate production plant and Euro 1,205 thousand for further customs duties due by Intercos Cosmetics Suzhou for the years 2010, 2011 and 2012. Customs duties of Euro 1,328 thousand were paid during the year 2013 relative to the years 2010 and 2011.

The Provisions for risks and charges increased from Euro 400 thousand at December 31, 2011 to Euro 1,959 thousand at December 31, 2012.

The accrual for the year 2012 refers to the accrual of a provision of Euro 1,455 thousand to cover the risk of assessment by the Chinese authorities, in relation to disputed customs duties relative to the years 2010 and 2011.

During the year 2011 the Issuer accrued a provision of Euro 300 thousand to cover the risk of an assessment by the Italian tax authorities, in relation to indirect taxes following a fiscal control carried out.

18. Deferred tax liabilities

The table below shows the timing differences which gave rise to the calculation of deferred tax liabilities at December 31, 2013, 2012 and 2011:

	At December 31,		
	2013	2012 restated	2011 restated
	(In thousands of Euro)		
IFRS land and buildings revaluation IAS 16	5,828	6,257	6,311
Exchange gains	142	1,043	1,327
Fiscal differences on PPE (Revaluation laws)	2,454	2,773	3,417
Consolidation adjustments for intercompany inventories	387	1,285	1,291
Consolidation adjustments for PPE)	122	1,277	661
IAS differences on PPE (IAS 17 and others)	45	63	35
Difference on TFR measurement under IAS 19	162	216	172
Difference on financial instrument measurement under IAS 39 (Effective interest)	238	547	295
Other minor differences	381	1,295	1,091
Total Deferred tax liabilities	**9,759**	**14,756**	**14,601**

The Deferred tax liabilities decreased from Euro 14,757 thousand at December 31, 2012 to Euro 9,759 thousand at December 31, 2013.

The total decrease of Euro 4,998 thousand is due principally i) to the reclassification from Deferred tax assets of tax relative to timing differences on inventory revaluations carried out in prior years by Intercos America (Euro 1,705 thousand), ii) to revaluation and different fiscal treatment of property, plant and equipment (Euro 1,921 thousand) and iii) to other residual timing differences (Euro 427 thousand).

19. Provisions for employee benefits

The following movements took place in Provisions for employee benefits during the years ended December 31, 2013, 2012 and 2011:

	At December 31,		
	2013	2012 restated	2011 restated
	(In thousands of Euro)		
Opening balance	8,436	7,447	7,014
Utilization	(296)	(235)	(655)
Interest Cost	(121)	667	914
Actuarial gains/losses	91	557	173
Total Provisions for employee benefits	**8,110**	**8,436**	**7,447**

The table below shows the principal parameters used in determining the actuarial cost to be

accrued to the Provisions for employee benefits for the years ended on December 31, 2013, December 31, 2012 and December 31, 2011:

	At December 31,		
	2013	**2012**	**2011**
Rate of Discount	2.77%	3.20%	4.75%
Annual rate of inflation	2.00%	2.00%	2.00%
Annual rate of growth in wages and salaries	3.00%	3.00%	3.00%
Annual rate of increase in TFR	1.50%	1.50%	1.50%

The table below shows the composition of the Group's workforce as at December 31, 2013, 2012 and 2011:

	At December 31,		
	2013	**2012**	**2011**
Managers and supervisory staff	176	177	166
Clerical staff	773	776	765
Manual workers	1,432	1,643	1,597
Total	**2,381**	**2,596**	**2,528**

No cases of death or serious injury in the workplace occurred during the three year period 2011-2013.

20. Trade payables

Trade payables amount to Euro 47,070 thousand, Euro 45,939 thousand and Euro 43,114 thousand respectively at December 31, 2013, 2012 and 2011.

Trade payables refer entirely to trading transactions with suppliers in the ordinary course of manufacturing and capital expenditure activities. All trade payables are due within 12 months.

The valuation at fair value of trade payables and other current payables does not differ significantly from carrying value, given the short interval between the insurgence of the debt and its maturity date.

21. Other payables

The table below shows the composition of Other payables at December 31, 2013, 2012 and 2011:

	At December 31,		
	2013	**2012 restated**	**2011 restated**
		(In thousands of Euro)	
Payables towards employees	8,952	7,968	7,381
Payables towards social security institutions	1,126	1,208	1,339
Payables towards tax authorities	2,756	2,791	1,886
Advances from customers	2,664	4,062	1,648

Accrued expenses and deferred income	145	108	333
Sundry payables	2,684	4,161	2,180
Total Other payables	**18,327**	**20,298**	**14,767**

The payables towards employees regard holiday pay matured, bonuses to be paid and wages and salaries relative to the month of December, subsequently paid in January of the following year.

The payables towards social security institutions regard contributions on the December wages and salaries, subsequently paid in January of the following year.

The payables towards tax authorities are comprised of IRPEF tax on employees' wages and salaries and tax withheld on external collaborators' remuneration.

The advances from customers refer to advances received by certain Group subsidiaries, in particular Intercos Technology and Intercos Cosmetics Suzhou.

22. Revenues from sales of goods and services

Revenues from sales of goods and services amount to Euro 329,760 thousand for the year ended December 31, 2013, representing an increase of Euro 33,661 thousand with respect to the year ended December 31, 2012, while the revenues for the year ended December 31, 2012 showed an increase of Euro 36,260 thousand with respect to the year ended December 31, 2011.

In both years all of the markets in which the Issuer operates showed growth as a result of the globalization of the Group. Further detail is provided in Note 34 relative to Segment information.

23. Other operating revenues

The table below shows the composition of Other operating revenues for the years ended December 31, 2013, 2012 and 2011:

	Year ended December 31,		
	2013	**2012 restated**	**2011 restated**
	(In thousands of Euro)		
Other revenues and costs recharged	3,995	3,893	4,039
Insurance indemnities	60	60	48
Contingent income	604	468	477
Royalties	0	8	14
Rental income	50	0	0
Total Other operating revenues	**4,708**	**4,429**	**4,578**

The Other operating revenues refer principally to costs recharged to customers for molds and customs duties and other costs incurred on behalf of customers and recharged thereto.

24. Purchases of raw materials, semi-finished products and consumables

The table below shows the composition of Purchases of raw materials, semi-finished products and consumables for the years ended on December 31, 2013, 2012 and 2011:

	Year ended December 31,		
	2013	**2012 restated**	**2011 restated**
	(In thousands of Euro)		
Raw materials	54,468	40,937	30,201
Packaging materials	54,385	51,158	50,226
Semi-finished products	346	3,803	4,463
Other materials	11,669	9,938	10,851
Total Purchases of raw materials, semi-finished products and consumables	**120,868**	**105,836**	**95,741**

The increase in the cost of Purchases of raw materials, semi-finished products and consumables in the years ended December 31, 2013 and December 31, 2012 with respect to the years ended December 31, 2012 and December 31, 2011 is due to the increase in the Group's turnover.

25. Cost of services, leases and rental charges

The table below shows the composition of Cost of services, leases and rental charges for the years ended on December 31, 2013, 2012 and 2011:

	Year ended December 31,		
	2013	**2012 restated**	**2011 restated**
	(In thousands of Euro)		
Sundry services	5,566	5,319	4,252
Processing and packaging	20,796	22,291	16,745
Consultancy fees	3,253	2,775	2,405
Sundry utilities	5,863	5,794	4,803
Maintenance and repairs	6,726	5,088	4,465
Leasing and rental charges	4,904	3,837	3,163
Transport costs on purchases	6,094	6,102	7,011
Transport costs on sales	1,787	1,482	1,475
Internal transport costs	925	897	811
Other transport costs	1,083	1,090	996
Commission	907	679	1,205
Sterilization of materials	92	94	108
Legal and notarial costs	632	432	860
Board of Statutory Auditors remuneration	99	112	113
Insurance	931	904	1,111
Cleaning	897	749	696
Travel expenses	2,184	1,766	1,419
Security and surveillance	785	747	782
IT costs	1,703	1,348	761
Other costs	2,926	1,509	449
Total Cost of services, leases and rental charges	**68,153**	**63,015**	**53,630**

The Cost of services, leases and rental charges showed an increase of Euro 5,138 thousand (+8.2%), rising from Euro 63,015 thousand in the year 2012 to Euro 68,153 thousand in the year 2013.

This increase is due principally to:

- Euro 1,638 thousand for the increase in maintenance and repairs relative to maintenance carried out buildings owned by third parties (Euro 1,087 thousand) and leased plant and fixed assets (Euro 484 thousand);
- Euro 1,067 thousand for the increase in leasing and rental charges, of which Euro 378 thousand due to the reduction of the original 2012 figure for the restatement of the 2012 income statement net of discontinued operation, the remaining increase of Euro 689 thousand in 2013 regards higher rental charges.

Consultancy fees for the year 2013 include the costs of administrative, technical and commercial consultancy for a total of Euro 3,150 thousand.

Processing and packaging costs include the costs relative to the use of external workers for certain phases of production. In 2013 Processing and packaging costs showed a decrease with respect to the previous year of Euro 1,494 thousand.

The cost of sundry services amount to Euro 5,566 thousand, representing an increase of Euro 247 thousand with respect to the previous year. These sundry services include warehousing costs, waste disposal, laboratory analysis and various other services.

Transport costs increased by Euro 318 thousand (+33%) rising from Euro 9,571 thousand in 2012 to Euro 9,889 thousand in 2013.

The Cost of services, leases and rental charges increased by Euro 9,385 thousand (+17.5%) rising from Euro 53,630 thousand in 2011 to Euro 63,015 thousand in 2012.

Consultancy fees for the year 2012 include the costs of administrative, technical and commercial consultancy for a total of Euro 2,681 thousand.

Processing and packaging costs include the costs relative to the use of external workers for certain phases of production. Processing and packaging costs showed an increase of Euro 5,545 thousand with respect to the previous year.

The cost of sundry services amount to Euro 5,319 thousand in 2012, representing an increase of Euro 1,067 thousand with respect to the previous year. These sundry services include warehousing costs, waste disposal, laboratory analysis and various other services.

Shipping and transport costs decreased by Euro 722 thousand (-7.0%), dropping from Euro 10,293 thousand in 2011 to Euro 9,571 thousand in 2012.

26. Payroll costs

The table below shows the composition of Payroll costs for the years ended December 31, 2013, 2012 and 2011:

Year ended December 31,

	2013	2012 restated	2011 restated
	(In thousands of Euro)		
Wages and salaries	56,522	52,500	46,182
Temporary staff	18,874	16,045	14,741
Coordinated and continual collaboration work	614	633	1,198
Social security contributions	11,142	11,918	11,558
Defined contribution plan costs	2,063	2,437	1,750
Board of Directors' emoluments	3,443	3,273	3,171
Total Payroll costs	**92,658**	**86,806**	**78,600**

Payroll costs increased by Euro 5,852 thousand in the year ended December 31, 2013, rising from Euro 86,806 thousand in 2012 to Euro 92,658 thousand in 2013.

The Group employs temporary workers in its production activities in order to render its direct labour costs more flexible. The growth of the business during the years 2013 and 2012 led to an increase in such costs with respect to the previous year of Euro 2,829 thousand and Euro 1,304 thousand respectively.

27. Other operating costs

The table below shows the composition of Other operating costs for the years ended on December 31, 2013, 2012 and 2011:

	Year ended December 31,		
	2013	2012 restated	2011 restated
	(In thousands of Euro)		
Accruals to provision for bad debts	464	139	3,089
Promotional expenses	1,074	763	596
Contingent expenses	1,051	558	2,505
Sundry taxes and duties	1,226	1,205	2,352
Association membership costs	131	131	170
Fuel for motor vehicles	158	151	139
Other costs	322	42	253
Total Other operating costs	**4,426**	**2,989**	**9,104**

Other operating costs show an increase of Euro 1,437 thousand at December 31, 2013, rising from Euro 2,989 thousand in 2012 to Euro 4,426 thousand in 2013.

The biggest increases regard contingent expenses, which rose by Euro 493 thousand due to the definition of commercial and contractual disputes pending, in particular regarding Intercos America.

Other operating costs show a decrease of Euro 6,115 thousand at December 31, 2012, dropping from Euro 9,104 thousand in 2011 to Euro 2,989 thousand in 2012.

The main decrease during the year regards sundry taxes and duties, which show a reduction of Euro 1,147 thousand against the cost of stamp duties, non-recoverable VAT, council tax and other sundry taxes, as well as lower contingent expenses for Euro 1,947 thousand following the

definition of outstanding commercial and contractual disputes.

The accrual to the provision for bad debts for the year 2011 refers principally to Intercos America.

28. Depreciation and amortization

Depreciation and amortization are comprised as follows for the years ended on December 31, 2013, 2012 and 2011:

	Year ended December 31,		
	2013	2012 restated	2011 restated
	(In thousands of Euro)		
Amortization of intangible assets	5,764	5,942	6,032
Depreciation of property, plant and equipment	15,100	15,634	13,908
Total Depreciation and amortization	**20,864**	**21,576**	**19,940**

29. Non-recurring revenues/expenses

The Non-recurring revenues and expenses amount to Euro 5,584 thousand for the year ended on December 31, 2013 and refer i) for Euro 3,283 thousand to the sale of the Limbiate production plant, of which Euro 2,983 thousand for the provision for leaving incentives to employees following the agreement reached for the definitive closure of this plant, ii) for Euro 1,098 thousands to a legal case in the USA regarding a dispute over the use of a patent, and iii) for Euro 1,205 thousand to the accrual to the provisions for risks for the estimated amount of the further customs duties still payable for the years 2010, 2011 and 2012 by Intercos Cosmetics Suzhou.

The Chinese customs authorities have commenced controls started in order to verify whether or not Intercos Cosmetics Suzhou has paid the customs duties relative to import operations from other Group companies or from third parties.

Net non-recurring expenses amount to Euro 1,524 thousand at December 31, 2012, comprised principally of Euro 1,455 thousand relative to the accrual to the provision for risks and charges of the estimated amount of further customs duties still due for the years 2010 and 2011 by Intercos Cosmetics Suzhou.

Net non-recurring expenses amount to Euro 15,440 thousand for the year ended December 31, 2011 and refer principally to the writedown of inventories.

In particular, as part of the redefinition of the control system, as from the financial statements for the year ended December 31, 2011, the policies and criteria used for the valuation of inventories have been standardized with the adoption by the Group's principal subsidiaries of the accounting policies already applied by the parent Intercos S.p.A..

The SAP analysis of the inventories of the two principal subsidiaries, Interfila S.r.l., absorbed into Intercos Europe S.p.A. with effect as from 1 October 2011, and Intercos America Inc. enabled the Group to obtain analytical information previously unavailable.

The harmonization of the accounting policies and accounting estimates regarding inventories, applied also through the use of SAP, relates in particular:

- to the criteria for the allocation of indirect production costs to inventories, and
- to the criteria for the writedown of slow-moving items included in closing inventories.

The adoption of the abovementioned new accounting policies and estimates gave rise to various significant differences in the valuation of inventories in certain Group companies with the consequent need to record significant writedowns/impairment, both in the separate financial statements of specific Group companies and in the consolidated financial statements of the Group.

IAS 8 was applied in order to ensure the correct accounting treatment of the above-mentioned adjustments.

IAS 8 calls for a differentiated treatment of changes in accounting policies, changes in estimates and the correction of prior years errors. In fact it distinguishes between a "retrospective" approach that requires the adjustment of the opening net equity of the earliest prior period presented for comparative purposes in the financial statements(normally applicable for errors and changes in accounting policies), and a so-called "prospective" approach, in which the above effects should not affect the representation of previous years but rather reflect exclusively on the financial statements of the period in which the events are recorded.

In the case in question, the motives for the changes are so numerous and interwoven, influenced both by changes in accounting policies and by changes in accounting estimates, that the effect relative to the years prior to the year ended December 31, 2011 would be hard to determine.

In the first place, there is exists the difficulty in separating objectively, and retrospectively, the effects deriving from the adoption of different criteria for the allocation of direct and indirect costs from those deriving from the different – homogeneous and more severe –*slow moving* policies that are extended from the parent to its subsidiaries, given that in many cases the two effects tend to overlap and interfere with each other.

In the second place, the analyses carried out have shown that a retrospective reconstruction of the values referable to prior years would inevitably lead, despite all reasonable efforts, to the use of additional assumptions which are not fully verifiable, as well as estimates for which it would not appear possible to identify and separate with sufficient certainty those based on information available only at the present date (particularly, on the basis of the SAP).

In light of the above situation, due to which the amount and/or the principal cause of the eventual adjustments relative to prior years would not be determinable with any reasonable degree of certainty, a retrospective reconstruction is not feasible.

In this situation, the IAS 8 calls for the application of the "prospective" approach, stating that the adjustments that emerge in a given period are included in the determination of the profit or loss of that said period.

After an thorough and detailed analysis and consultation with accounting and legal experts, Intercos has applied IAS 8 in this way, registering the adjustments in the income statement of the year 2011 by means of the recording of specific accruals and writedowns of inventories designed

to re-align the values that would have been determined using the previous criteria.

This privileges the use of the objective value at December 31, 2011, determined using SAP on the basis of the new homogeneous Group criteria, recording the difference with respect to the value of the inventories at December 31, 2011 that would have been determined on the basis of the "old" criteria as an extraordinary item (rectius: non-recurring item) in the income statement; this would avoid the uncertainty of the conjectures and assumptions that would otherwise have been necessary for a retrospective reconstruction of the opening financial statement balances.

Following consultation with accounting and legal experts on the nature of the adjustments, the changes are treated as non-recurring costs and revenues, in order to allow a more effective comparison between the figures for each of the three years.

This separate presentation of the accounting effects deriving from the abovementioned, is also allowed by paragraph 86 of IAS 1 that permits the separate presentation of components of revenues and costs in additional income statement lines, when such information is relevant for better understanding of the factors which determined an entity's financial-economic performance. In applying this option, the entity must consider all available factors, including the assessment of the significance, nature and function of the items of costs and revenues.
It should also be noted that the writedown of the inventories of the former Color S.r.l. originated from the Group's strategic decision to exit the retail market segment to which the products of Color Srl were destined.

30. Financial income

The table below shows the composition of Financial income for the years ended on December 31, 2013, 2012 and 2011:

	Year ended December 31,		
	2013	2012 restated	2011 restated
	(In thousands of Euro)		
Interest from tax authorities	184	119	102
Sundry interest	64	77	523
Total Financial Income	**248**	**196**	**625**

31. Financial expenses

The table below shows the composition of Financial expenses for the years ended on December 31, 2013, 2012 and 2011:

	Year ended December 31,		
	2013	2012 restated	2011 restated
	(In thousands of Euro)		
Interest on short term borrowings and others	609	1,338	767
Interest on medium/long term borrowings	5,577	5,795	7,497
Interest differential on interest rate swap	2,080	3,009	3,680
Effective interest under IAS 39	1,642	900	2,106
Interest on leasing under IAS 17	7	15	22
IRS Fair value adjustment	(2,095)	(2,014)	(1,389)

Bank charges	336	260	276
Foreign exchange (gains)/losses	401	986	788
Total Financial expenses	**8,557**	**10,289**	**13,747**

32. Income taxes

The table below shows the composition of Income tax for the years ended December 31, 2013, 2012 and 2011:

	Year ended December 31,		
	2013	**2012 restated**	**2011 restated**
	(In thousands of Euro)		
Current taxation	10,011	4,118	4,385
Net deferred tax liabilities / (assets)	(4,009)	573	(5,461)
Prior year taxation	322	(763)	313
Total Income tax	**6,324**	**3,928**	**(763)**

The total income tax for the year ended December 31, 2013 amounts to Euro 6,324 thousand and is comprised of Euro 10,011 thousand of current tax charge and Euro 4,009 thousand of net variation in deferred taxation.

Current taxation increased by Euro 5,893 thousand, relative principally to the increase recorded by Intercos Europe S.p.A., for Euro 4,929 thousand, due essentially to timing differences for items taxed and deductable in subsequent years, comprised mainly of accruals to provisions for risks, which gave rise to the recording of deferred tax assets and justifies the overall increase in this latter, as shown in the table above.

Prior year taxation mainly includes the following:

- Euro 9 thousand of higher Irap tax relative to the previous year;
- Euro 37 thousand for the payment of stamp duties relative to a dispute which arose during the year regarding the sale of a business segment which took place in 2010;
- Euro 259 thousand relative to the sums paid following a tax control for the definitive settlement of the dispute with the Italian tax authorities relative to the year 2008 regarding Ires, Irap and VAT, this effect relates to Intercos S.p.A..

The total income tax for the year ended December 31, 2012 amounts to Euro 3,928 thousand, comprised of Euro 4,118 thousand of current taxation and Euro 573 thousand of net variation in deferred taxation.

Prior year taxation includes, for Euro 38 thousand, lower Irap tax relative to the year 2011 and, for Euro 725 thousand, the extraordinary income matured by Intercos S.p.A. following the request for an IRES tax refund, presented in accordance with D.L. 201/2011.

The current tax charge was determined on the basis of the taxable income deriving from the profit for the year, taking account of the utilization of eventual losses brought forward and applying the tax rates currently in force in each country.

33. Profit (Losses) deriving from discontinued operations

Greater detail thereof is provided in the paragraph "Business combinations, acquisitions of minority interests, operations "under common control" and "discontinued operations".

Other information

34. Segment information

As illustrated in Note 5, during the year 2013 the Intercos Group continued to work to achieve an optimum overall structure by defining a new functional organizational structure, reorganizing its product lines and revising its system of control.
As a result of the above reorganization the Pencils and Color BU was transferred to the new Make-up BU.
The Make-up Business Unit was created to meet a market demand that no longer asks for a "pencil" or "lipstick" product but rather a "cosmetic" product, one which, regardless of the technology used (powders, lipsticks, wood pencils, plastic pencils etc.), offers a single solution able satisfy all applications for the eyes, face and lips. The Make-up BU is basically the aggregation of the two previous Color and Pencils segments, due to the revisitation of the "cosmetic" product imposed by a market that no longer identifies distinct business segments within the make-up sector given that these y are integrated horizontally.

Therefore the Group's business is now organized into two areas identified on the basis of the following product lines:

- Make up B.U.: specialized in the creation, development, manufacture and marketing of powders, emulsions, lipsticks as well as cosmetics using delivery systems in the form of pens/pencils for the face, eyes and lips;
- Skin care B.U.: specialized in the manufacture and marketing of cosmetic and skincare creams.

Detailed information on each identified segment for the years ended December 31, 2012 and 2013 is presented in the following tables.

	2013			**2012 restated**			**2011 restated**		
	Make up	***Skin care***	**Total**	***Make up***	***Skin care***	**Total**	***Make up***	***Skin care***	**Total**
				(In thousands of Euro)					
Revenues	292,660	37,100	**329,760**	259,617	36,482	**296,099**	225,139	34,700	**259,839**
Operating profit before depreciation, amortization and non-recurring operating	42,228	6,100	**48,328**	37,411	9,440	**46,851**	29,572	8,042	**37,614**

revenues/expenses									
Depreciation, amortization and writedowns	(18,958)	(1,906)	**(20,864)**	(19,106)	(2,470)	**(21,576)**	(19,121)	(819)	**(19,940)**
Net invested capital	246,047	32,048	**278,095**	242,612	35,500	**278,112**	249,100	35,500	**284,600**

During the year ended December 31, 2013 the Make up B.U. generated revenues for Euro 292,660 thousand representing an increase of Euro 33,043 thousand (+12.7%) with respect to the year 2012. The operating profit before depreciation, amortization and non-recurring operating revenues/expenses increased by Euro 4,817 thousand, rising from Euro 37,411 thousand to Euro 42,228 thousand, substantially in line with the growth in sales revenue. During the year 2013 the positive trend in market conditions, particularly in the retailers market segment, with the acquisition of important new customers, especially in Europe. In addition, the new Prisma Shine technology has led to a significant increase in sales volumes.

The turnover of the Skincare B.U. amounted to Euro 37,100 thousand for the year ended December 31, 2013, showing a slight increase of Euro 619 thousand (+1.7%). The reduction of Euro 3,340 thousand in operating profit before depreciation, amortization and non-recurring operating revenues/expenses is due to a combination of various factors:

- a different geographical sales mix, which, given the stagnation in Europe, was directed towards products with a lower margin in the less affluent parts of the world;;
- structural and human resource investments in order to be able to respond to the requirements of the strategy for sector growth;
- a different allocation of corporate costs, rendered possible and necessary as a result of the Group's new organizational structure and of the new control system.

During the year ended December 31, 2012 the Make up B.U. generated revenues for Euro 259,617 thousand, representing an increase of Euro 34,478 thousand (+15.3%) with respect to the year ended December 31, 2011. The operating profit before depreciation, amortization and non-recurring operating revenues/expenses also showed an increase of Euro 7,839 thousand with respect to the previous year, thanks mainly to the increase in the profitability of the "Pencils" line following the rationalization of the business in Italy which enabled the Group to increase efficiency and unit margins. During the year 2012 market conditions showed a dynamic positive trend, especially in the regional emerging brands market segment with the acquisition of important new customers, especially in Europe. Furthermore, the new Prisma Shine technology enabled us to increase sales volumes in a decisive manner. The net invested capital decreased due to a more efficient management of working capital and the writedown of inventories described above.

The Skin care B.U. confirms the growth trend both in terms of turnover, which amounted to Euro 36,482 thousand in the year 2012, showing an increase of Euro 1,782 thousand (+5.1%) with respect to the year 2011, and of operating profit before depreciation, amortization and non-recurring operating revenues/expenses, which amounted to Euro 9,440 thousand in the year 2012, representing an increase of Euro 1,398 thousand (+17.4%) with respect to the year 2011.

This increase was achieved mainly thanks to the growth in Asia and in the USA. The transfer of the Skin care technology to Suzhou's production plants in China and to the production plants at Dovera and at Congers (USA) enabled the Group to produce and package its products locally, rendering them more competitive in these markets.

During the year ended December 31, 2011 the Make up B.U. generated revenues of Euro 225,139 thousand. The operating profit before depreciation, amortization and non-recurring operating revenues/expenses amounts to Euro 29,572 thousand. Also during the year 2011 market conditions proved to be favourably dynamic, particularly in the regional emerging brands market segment, in addition to the increase in sales volumes thanks to the new Prisma Shine technology.

The Skin care B.U. confirms the strong growth trend both in terms of turnover, which amounted to Euro 34,700 thousand for the year ended December 31, 2011, and terms of in operating profit before depreciation, amortization and non-recurring operating revenues/expenses, which amounted to Euro 8,042 thousand in the year ended December 31, 2011. This growth was possible mainly due to the growth in the B.U. in Asia and in the USA.

Information relative to the geographic analysis of revenues, assets and investments in property, plant and equipment is shown below.

	Year ended December 31,		
	2013	**2012**	**2011**
Revenues	**(In thousands of Euro)**		
Americas	136,906	136,023	123,727
EMEA	156,403	134,448	116,730
Asia	36,451	25,628	19,381
Total	**329,760**	**296,099**	**259,839**

The criteria used for the geographical allocation was changed during the year 2013, analyzing revenues with reference to the destination of the goods sold. Previously the criteria used was the location in which the parent company of the client had its registered office. Therefore, for the purpose of consistency between the periods, the comparative figures relative to the years 2012 and 2011 have been restated in accordance with the new criteria.

The geographic analysis of revenues for the year ended December 31, 2013 shows that all of the Group's markets recorded growth following the globalization of the Group, in particular:

- the Americas area recorded an increase in sales of Euro 883 thousand, equivalent to +0.6%, with respect to the previous year. This area continues to represent the Group's principal sales market, with a percentage incidence on total sales revenues of 41.5% in the period in question.
- the EMEA area showed sales for a total of Euro 156,403 thousand in the year 2013 compared to Euro 134,448 thousand in the year 2012, representing an increase of Euro 21,955 thousand equivalent to an increase of 16.3% with respect to the previous year and a percentage incidence on Group revenues of 47.4%.

- the sales on the Asian markets rose from Euro 25,628 thousand in 2012 to Euro 36,451 thousand in 2013, representing an increase of Euro 10,823 thousand (+42.2%) while the percentage incidence on Group revenues rose from 8.7% in 2012 to 11.1% in 2013.

Revenues from sales of goods and services showed the following trends in 2012 with respect to the year 2011:

- Americas: revenues in the Americas region show a significant rise in sales, +7.4% with respect to the previous year. This increase derives principally from the growing demand from customers in the retailers segment;
- EMEA: this area showed a growth, particularly in the retailers and emerging regional brands market segment, with the acquisition of important new customers, especially in Italy;
- Asia: the sales on the Asian markets increased significantly, principally due to the growth of the Chinese market.

The tables below show the analysis by geographic area of the Group's assets and of its investments in property, plant and equipment:

	Year ended December 31,		
	2013	**2012**	**2011**
	(In thousands of Euro)		
Assets			
Americas	68,924	74,734	64,423
EMEA	281,861	280,796	281,186
Asia	42,034	44,680	41,496
Total	**392,818**	**400,214**	**387,105**

	Year ended December 31,		
	2013	**2012**	**2011**
	(In thousands of Euro)		
Investments in property, plant and equipment			
Americas	2,218	4,066	4,480
EMEA	6,011	4,618	6,585
Asia	1,217	927	790
Total	**9,446**	**9,611**	**11,855**

During the year 2013 the Group carried out investments in property, plant and equipment for a total of Euro 9,446 thousand. The investments in the Americas area refer for Euro 1,019 thousand to purchases of machinery and equipment in Intercos America, in particular in order to increase the productivity and capacity of the filling and pencils departments. Investment continued in Brazil (Euro 1,109 thousand) in order to complete the new production plant.

Investments in the EMEA region amounted to Euro 4,724 thousand in Intercos Europe, mainly for the completion of the Prisma Shine department, as well as to further increase the level of automation in the production of delivery systems. CRB has also realized new investments for Euro 565 thousand.

The group also continued to support its Chinese subsidiaries, with investments in machinery and equipment, aimed at increasing production capacity and productivity.

During the year 2012 the Group carried out investments in property, plant and equipment for a total of Euro 9,611 thousand. The investments for Euro 4,066 thousand in the USA refer principally to the preparation of the West Nyack plant as well as to the introduction of new machinery for the manufacture of Skin care and pencils at Congers.

Investments in the EMEA region amounted to Euro 4,618 thousand during the year 2012.

Investments in Asia amounted to Euro 927 thousand during the year 2012 and relate principally to Intercos Cosmetics (Suzhou) for purchases of machinery and equipment.

During the year 2011 the Group carried out investments in property, plant and equipment for a total of Euro 11,855 thousand. In particular investments in the USA amounted to Euro 4,480 thousand and refer principally to the West Nyack plant and to new machinery for the manufacture of Skin care and pencils.

Investments in the EMEA region amounted to Euro 6,585 thousand during the year 2011, regarding principally Prisma Shine technology.

Investments in Asia amounted to amounted to Euro 790 thousand during the year 2011 and relate principally to Intercos Cosmetics (Suzhou) for purchases of machinery and equipment.

35. Base and diluted earnings per share

The base earnings per share is calculated by dividing the net profit for the period attributable to the ordinary shareholders of the Issuer by the weighted average number of ordinary shares in circulation during the year. There is no difference between the diluted earnings per share and the base earnings per share, given that there are no convertible bonds or other financial instruments with a dilutive effect.
The income and the share information used to calculate the base earnings per share are shown below:

	At December 31,		
	2013	**2012**	**2011**
Net profit (Loss) attributable to shareholders (in thousands of Euro)	7,566	8,016	(9,780)
Weighted average number of ordinary shares in circulation during the year for the purposes of the calculation of base and diluted earnings per share	10,710,193	10,710,193	10,060,371
Base and diluted earnings per share (in units of Euro)	0.71	0.75	-0.97

36. Guarantees, commitments and risks

The guarantees provided by the Group refer to fidejussions and guarantees in favour of third parties granted by Intercos S.p.A., on its own behalf (Euro 518 thousand at December 31, 2013) and on behalf of subsidiary companies (Euro 6,786 thousand at December 31, 2013). As security for the Syndicate loan of 18 September 2007, Intercos S.p.A. has granted a pledge on 100% of the shares of Intercos Europe S.p.A. (Euro 3,000 thousand) and on the shares of Intercos S.p.A. (Euro 10,660 thousand), as well as a special lien on the corporate assets (plant and machinery, inventories and receivables) of Intercos S.p.A. and of Intercos Europe S.p.A..

During the year 2008 a mortgage was underwritten on the Agrate and Dovera buildings in favour of Banca Intesa as security for the debt for an amount equivalent to double the amount of credit facility granted (Euro 500,000 thousand).

37. Related party transactions

The following is a description of all related party transactions that are material to the business of our Group.

The tables below set forth related party transactions for the years ended December 31, 2013, 2012 and 2011.

Year ended December 31, 2013 (in thousands of euro)

Related party	Purchases of production inputs	Operating costs	Compensation costs	Trading liabilities
DAFE International	0	129	0	32
SCI Maragia	0	31	0	0
Arterra	159	533	0	279
Morri Cornelli e Associati	0	140	0	107
Family members of Dario Gianandrea Ferrari	0	36	58	0
Total	**159**	**869**	**58**	**418**
% on the aggregate of the item	**0.13%**	**1.27%**	**0.06%**	**0.87%**

Year ended December 31, 2012 (in thousands of euro)

Related party	Operating costs	Compensation costs	Trading liabilities
DAFE International	129	0	0
SCI Maragia	31	0	0
Arterra	129	0	7
Morri Cornelli e Associati	108	0	54

Family members of Dario Gianandrea Ferrari	24	190	0
Total	**421**	**190**	**61**
% on the aggregate of the item	**0.7%**	**0.22%**	**0.1%**

Year ended December 31, 2011 (in thousands of euro)

Related party	Operating costs	Compensation Costs	Trading liabilities	Other current receivables
DAFE International	229	0	65	0
SCI Maragia	46	0	92	106
Arterra	73	0	17	0
Morri Cornelli e Associati	10	0	24	0
Family members of Dario Gianandrea Ferrari	33	140	0	0
Total	**391**	**140**	**198**	**106**
% on the aggregate of the item	**0.7%**	**0.2%**	**0.4%**	**0.7%**

Related party transactions (other than inter-company transactions), as defined by IAS 24, are not always covered by standard agreements. They refer mostly to products, property leases and the provision of services, including consulting services. These transactions are part of our day-to-day operations and, we believe, are entered into at arm's length.

Descriptions of Related Party Transactions

Below is a description of material transactions with our related parties.

Service contract with Dafe International S.r.l.

On January 7, 1992, Intercos S.p.A. entered into an agreement with Dafe International S.r.l. pursuant to which the latter undertook to provide certain services related relating to the study, design and planning for the stands for trade fairs and exhibitions of the cosmetics sector, with specific reference to the design of the stand for the annual fair of Cosmoprof in Bologna. This agreement provides for the payment to Dafe International S.r.l. of an annual fee of approximately Euro 129,000 and provides for automatic renewal from year to year unless terminated by three-month prior written notice. As of the date of this Prospectus, this agreement continues in force.

Dafe International S.r.l. is a related party because the controlling shareholder of this company (with a 98.9% stake) is our Chief Executive Officer Mr. Dario Gianandrea Ferrari.

Lease agreement with Ski Maharaja

In 1997, Intercos S.p.A. entered into a lease agreement with Société Ski Maharaja civil immobilière ("Ski Maharaja") in relation to the lease by it of an apartment in Paris for annual rent of approximately Euro 30,500. This agreement provides for automatic renewal from year to year unless terminated by six-month prior written notice. As of the date of this Prospectus, this lease agreement continues in force.

Ski Maharaja is a related party because our Chief Executive Officer Mr. Dario Gianandrea Ferrari owns a 2% stake in this company.

Supply agreement for goods and services with Arterra

On February 14, 2014, the Company, CRB and Vitalab Arterra entered into an agreement for the supply by Arterra of certain research and development services, and the supply of certain raw materials. For the year ended December 31, 2014, Vitalab shall pay to Arterra total consideration of Euro 496,174.66 (excluding VAT) under this supply agreement. This contract has a five year term, with automatic renewal from year to year, unless terminated, and remains in effect as of the date of this Prospectus.

Arterra is a related party because the chief executive officer of Vitalab, Ms. Maria Gabriella Colucci, owns a 55% interest in the share capital of Arterra.

Professional services agreement with Morri Cornelli e Associati Studio Legale e Tributario

Since January 2012, Intercos S.p.A. and various other Group companies have been party to an agreement with Morri Cornelli e Associati Studio Legale e Tributario (a professional services firm), which continues in effect as of the date of this Prospectus, under which such firm provides certain tax consulting, accounting and corporate advisory services to us. This agreement provides for the payment by us of aggregate annual fees in the amount of Euro 65,000, plus 12.5% as a lump-sum reimbursement of overheads, as well as reimbursement for reasonable and documented out-of-pocket expenses. This agreement has an annual duration with automatic renewal from year to year unless terminated with 30-days prior written notice. It may also be terminated at any time by either party upon 60 days prior written notice.

Morri Cornelli e Associati Studio Legale e Tributario is a related party because Mr. Ciro Piero Cornelli and Ms. Ginevra Ott, who are, respectively, a partner and a senior associate of that firm served has member of the Issuer's Board of Directors respectely until December and September 2014.. Mr. Ciro Piero Cornelli also owned until July 2014, 3,000 shares of Dafe 4000 S.p.A., equal to approximately 0.06% of its share capital.

Professional services agreement with Mario Valenti

Intercos S.p.A. is a party to an agreement for the provision of professional services by Valenti Studio Legale e Tributario in connection with tax advice in relation to our application to the Provincial Tax Commission of Milan for the *accertamento con adesione* for the years 2007, 2008 and 2009, which has recently been closed. Our agreement with Valenti Studio Legale e Tributario provides for the payment of a fee of between Euro 10,000 and Euro 30,000 in relation to the final outcome.

Valenti Studio Legale e Tributario is a related party because Mr. Mario Valenti, who is a partner of Valenti Studio Legale e Tributario, served as a member of our Board of Statutory Auditors until September 2014.

Relationships with family members of Dario Gianandrea Ferrari

Our Group is a party to certain employment and consulting agreements (*rapport di collaborazione coordinata e continuativa*) and agreements for the supply of goods with certain family members of Mr. Dario Gianandrea Ferrari, our Chief Executive Officer and controlling shareholder. For the year ended December 31, 2013, the total amount paid under these agreements was Euro 58,000, while the total amount paid in connection with the supply of such goods was Euro 36,000.

38. Financial risk management

Financial risk management is an integral part of the management of the activities of the Group. The Board of Directors of the Company establishes the policies for the management of risks such as market risk, credit risk and liquidity risk.

During the course of its business the Group is exposed to various types of risk: market risk (including foreign exchange rate risk and interest rate risk), credit risk and liquidity risk. The Group's risk management strategy is focused on the unpredictability of the markets and is aimed at minimizing the potential negative effects on earnings. Certain types of risk are mitigated using derivative financial instruments.
The coordination and monitoring of the principal financial risks is centralized within management.
The risk management policies are approved, in consultation with the Board of Directors, by the Group's Finance, Administration and Control Function, which provides written policies for the management of the above risks and the use of suitable financial instruments.

The sensitivity analyses illustrated below show the effect on profit and equity gross of the relative tax effects.

Exchange rate risk

The Group operates internationally and is therefore exposed to the exchange risk arising from fluctuations in the exchange rates for the commercial and financial flows denominated in currencies other than the functional currency of the individual Group companies.

The Group's exposure is concentrated mainly on the following exchange rates:

- Euro/US Dollar: in relation to commercial and financial transactions carried out on the North American market by Group companies operating in the Eurozone and viceversa.
- Euro/Pound Sterling: in relation to commercial and financial transactions carried out on the UK market by Group companies operating in the Eurozone and vice versa.
- Dollar/Chinese Renminbi: in relation to commercial and financial transactions carried out on the North American market by the Group's Chinese subsidiaries and vice versa.
- Euro/ Chinese Renminbi: in relation to commercial and financial transactions carried out on the Chinese market by Group companies operating in the Eurozone and vice versa.

It is the Group's policy to hedge, where possible, exposure denominated in currencies other than the functional currency of the individual companies, particularly the following:

- Certain flows: trade receivables and payables and loans received and granted;
- Forecast flows: commercial flows deriving from certain or highly probable contractual commitments.

The above are hedged by net currency positions managed by the Group or by using derivative contracts.

The following sensitivity analysis was performed which illustrates the effects on consolidated

profit and equity produced by an increase/decrease of 7.5% in the exchange rates compared to the effective exchange rates at December 31, 2013 and at December 31, 2012.

Variation	**-7.50%**	**7.50%**	**-7.50%**	**7.50%**	**-7.50%**	**7.50%**
	2013		**2012**		**2011**	
			(In thousands of Euro)			
US Dollar	(1,064)	915	(677)	582	(2,269)	1,952
Pound Sterling	158	(136)	136	(116)	120	(104)
Other currencies	(13)	11	(21)	17	(839)	689
Total	**(919)**	**791**	**(562)**	**483**	**(2,988)**	**2,537**

Interest rate risk

The interest risk derives mainly from long-term borrowings. These borrowings may be at either fixed or variable interest rates.

The Group has no particular hedging policy regarding the risks arising from fixed-rate contracts, as it considers the risk to be moderate given the limited amount of fixed-rate loans.

Variable-rate borrowings expose the Group to risk originating from the volatility of interest rates (cash flow risk). With regard to this risk, for purposes of suitable hedging, the Group may use derivative contracts which limit the impact of interest rate fluctuations on the income statement.

The Group's Administration Function monitors interest rate risk exposure and proposes the most appropriate hedging strategies to maintain exposure within the limits established by the Group's Finance, Administration and Control Function, using the abovementioned derivative contracts, where necessary.

The sensitivity analysis shown below was performed which illustrates the potential effects on consolidated profit produced by an increase/decrease in interest rates of 50 basis points compared to the effective interest rates at December 31, 2013 and at December 31, 2012, with all other variables remaining constant.

The potential effects reported below were calculated by taking the liabilities which represent the most significant part of the Group's borrowings at the reference date and calculating the potential impact thereon of a change in the interest rates on an annual basis.
The liabilities used in this analysis include variable-rate financial payables and receivables, cash and cash equivalents and derivative financial instruments whose value is affected by changes in interest rates.

Variation	**-0.50%**	**0.50%**	**-0.50%**	**0.50%**	**-0.50%**	**0.50%**
	2013		**2012**		**2011**	
			(In thousands of Euro)			
Euro (Euribor)	(705)	865	(539)	645	(750)	820
US Dollar (Libor)	(22)	138	(97)	184	(51)	205
Total	**(727)**	**1,003**	**(636)**	**829**	**(801)**	**1,025**

Credit risk

The Group's credit risk is related to trade receivables, cash and cash equivalents, financial instruments, deposits with banks and other financial institutions.

The credit risk relative to customers is managed directly by the individual Group companies and monitored centrally by the Group's Administration Function. The Group does not have significant concentrations of credit risk. However, there are policies in place to ensure that sales of products and services are made to customers with a suitable credit history, taking into consideration their financial position, past experience and other factors. Credit limits for major customers are based on internal and external valuations based on ceilings approved by management in the individual countries. The use of credit limits is monitored periodically at a local level. When considered appropriate, the Group may also sell receivables to factoring companies on a "without recourse" basis.

As regards the credit risk relating to the management of financial resources and cash, such risk is monitored by the Group's Administration Function which has policies in place to ensure that the Group companies enter into transactions only with independent counterparts with an excellent credit rating.

At December 31, 2013:

At December 31, 2013	Trade receivables	Not yet due	Overdue by between 0-60days	Overdue by between 61-90 days	Overdue by more than 90 days	Provision for bad debts
			(In thousands of Euro)			
Make up	66,012	57,465	7,010	571	967	(976)
Skin care	7,543	6,222	1,145	104	73	
Total	**73,555**	**63,686**	**8,154**	**674**	**1,040**	**(976)**

At December 31, 2012:

At December 31, 2012	Trade receivables	Not yet due	Overdue by between 0-60days	Overdue by between 61-90 days	Overdue by more than 90 days	Provision for bad debts
			(In thousands of Euro)			
Make up	60,275	43,155	11,102	1,644	4,374	(1,657)
Skin care	7,221	4,783	2,030	122	287	(29)
Total	**67,496**	**47,937**	**13,131**	**1,765**	**4,661**	**(1,686)**

At December 31, 2011:

At December 31, 2011	Trade receivables	Not yet due	Overdue by between	Overdue by between	Overdue by more than 90	Provision for bad debts

			0- 60days	61-90 days	days	
			(In thousands of Euro)			
Make up	62,963	41,979	11,798	1,259	7,926	(4,512)
Skin care	7,835	5,018	1,814	349	654	(219)
Total	**70,799**	**46,998**	**13,613**	**1,607**	**8,581**	**(4,731)**

Liquidity risk

Prudent management of liquidity risk arising from the normal operations of the Group entails the maintenance of sufficient cash and cash equivalents and of funding available through an adequate amount of committed credit lines. Therefore the Group uses dedicated credit facilities to obtain advances against sales invoices and, where considered appropriate for liquidity management purposes, it may sell receivables to factoring companies on a "without recourse" basis.
The Group's Finance Function monitors forecasts on the use of the Group's liquidity reserves on the basis of estimated cash flows.

The Group has the following liquid reserves at December 31, 2013, 2012 and 2011:

	At December 31, 2013	At December 31, 2012	At December 31, 2011
	(In thousands of Euro)		
Cash and cash equivalents	33,741	34,989	22,877
Unused *Committed* credit lines	4,000	-	25,569
Total	**37,741**	**34,989**	**48,446**

The table below shows the analysis by maturity date of the borrowings, other liabilities and derivatives on a net basis as at December 31, 2013, 2012 and 2011:

	2013				2012				2011			
	Within 1 year	Betwee n 1 to 5 years	Beyond 5 years	Total at 31/12/2 013	Within 1 year	Betwee n 1 to 5 years	Beyond 5 years	Total at 31/12/2 012	Within 1 year	Betwee n 1 to 5 years	Beyond 5 years	Total at 31/12/201 1
					(in thousands of Euro)							
Medium/long-term borrowings from banks and other lenders	5,278	158,186	7,822	171,286	19,655	167,430	9,892	196,977	18,306	176,972	5,170	200,448
Payables for financial leasing	114	218	0	332	91	186		277	94	100	0	194
Medium/long-term indebtedness	**5,392**	**158,404**	**7,822**	**171,618**	**19,746**	**167,616**	**9,892**	**197,254**	**18,400**	**177,072**	**5,170**	**200,642**
Short-term borrowings from banks and other lenders.	50,082			50,082	31,506			31,506	30,169			30,169
Fair value of derivatives	0			0	2,094			2,094	1,589	2,520		4,109
Payables towards factoring companies	531			531	73			73	891	0	0	891

Trade payables	47,070			47,070	45,939			45,939	43,114			43,114
Short-term indebtedness	**97,683**	**0**	**0**	**97,683**	**79,612**	**0**	**0**	**79,612**	**75,763**	**2,520**	**0**	**78,283**
Total	**103,075**	**158,404**	**7,822**	**269,301**	**99,358**	**167,616**	**9,892**	**276,866**	**94,163**	**179,592**	**5,170**	**278,925**

In order to complete the disclosure on financial risks, a reconciliation is presented below between the categories of financial assets and liabilities as identified in the statement of financial position format of the Group and the categories of assets and liabilities identified in accordance with the requirements of IFRS7.

It should be noted that the headings “Other receivables” and “Other payables” exclude items of a fiscal nature which do not meet the definition of financial assets or liabilities

At December 31, 2013:

At December 31, 2013	**Financial Assets at fair value through profit and loss**	**Receivables and loans**	**Available for sale financial assets**	**Assets held to maturity**	**Financial liabilities at fair value through profit and loss**	**Other liabilities at amortized cost**	**Hedging derivatives**
Available for sale financial assets							
Derivatives (assets)							
Securities held for trading							
Trade receivables		72,579					
Other receivables		6,981					
Borrowings from banks and other lenders						222,232	
Trade payables						47,070	
Other payables						16,102	
Derivatives (liabilities)							
Total	**0**	**79,560**	**0**	**0**	**0**	**285,404**	**0**

At December 31, 2012:

At December 31, 2012	**Financial Assets at fair value through profit and loss**	**Receivables and loans**	**Available for sale financial assets**	**Assets held to maturity**	**Financial liabilities at fair value through profit and loss**	**Other liabilities at amortized cost**	**Hedging derivatives**
Available for sale financial assets							
Derivatives (assets)							
Securities held for trading							
Trade receivables		65,810					
Other receivables		4,217					
Borrowings from banks and other lenders						228,833	

Trade payables						45,939	
Other payables						17,580	
Derivatives (liabilities)					2,094		
Total	**0**	**70,027**	**0**	**0**	**2,094**	**292,352**	**0**

At December 31, 2011:

At December 31, 2011	Financial Assets at fair value through profit and loss	Receivables and loans	Available for sale financial assets	Assets held to maturity	Financial liabilities at fair value through profit and loss	Other liabilities at amortized cost	Hedging derivatives
Available for sale financial assets							
Derivatives (assets)							
Securities held for trading							
Trade receivables		66,067					
Other receivables		3,955					
Borrowings from banks and other lenders						231,701	
Trade payables						43,114	
Other payables						14,767	
Derivatives (liabilities)					4,109		
Total	**0**	**70,022**	**0**	**0**	**4,109**	**289,582**	**0**

Financial assets and liabilities

All of the financial instruments of the Intercos Group are recorded in the financial statements at a carrying value equivalent to fair value.

Atypical and/or unusual operations

In accordance with the Consob Communication No. DEM/6064293 of 28 July 2006, we confirm that no operations of an abnormal or unusual nature, as defined by the said Communication, took place during the years ended on December 31, 2013, 2012 and 2011.

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